

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Rochester Hills, Michigan</u>	County Oakland
Audit Date December 31, 2003	Opinion Date April 2, 2004	Date Accountant Report Submitted To State: April 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Rochester Hills, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information for the Year Ended December 31, 2003**

# City of Rochester Hills, Michigan

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## **Introductory Section**

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April 19, 2004

To the City Council Members  
and Residents of the  
City of Rochester Hills, Michigan

The Comprehensive Annual Financial Report of the City of Rochester Hills for the year ended December 31, 2003, in accordance with state law and the City Charter, is hereby submitted.

The accounting division of the city clerk's office prepared this report, the Comprehensive Annual Financial Report (CAFR) of the City of Rochester Hills. We believe the information presented is accurate in all material aspects, and is presented in a manner that fairly sets forth the financial position of the City and results of City operations as measured by the City's financial activities; and that the CAFR includes all disclosures that are necessary to enable the reader to gain maximum understanding of the City's financial position. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 in 1999, which significantly changed the contents and format of municipal financial statements. Historically, a local government's annual financial report had focused on "fund types" based on modified accrual accounting. You will find in this report that the City of Rochester Hills implemented the required new reporting format for the fiscal year ended December 31, 2003. This CAFR was prepared to provide financial information to a broad group of readers and is presented in three sections: introductory, financial, and statistical.

Introductory Section of the CAFR includes this transmittal letter, an organizational chart, list of the City's administration, and the Certificate of Achievement for Excellence in Financial Reporting.

Financial Section includes the independent auditor's report, management's discussion and analysis report, government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

Statistical Section includes selected financial, tax, and demographic information that covers a period of 10 years.

**Profile of Government** - The City of Rochester Hills was incorporated in 1984 and operates under the mayoral-council form of government. The mayor and seven members of the City Council are elected to four-year staggered terms. Four of the council members are elected as district representatives and three members are elected as at-large representatives.

To the City Council Members  
and Residents of the  
City of Rochester Hills, Michigan

April 19, 2004

The approximate population of the City is over 69,000 and comprises an area of 32.2 square miles. The City employs approximately 270 full-time employees and 58 contracted law enforcement officers. Additionally, the City has outstanding educational opportunities in both public and private schools for pre-kindergarten through 12<sup>th</sup> grade. Rochester College and a portion of Oakland University are located in the City, while several other colleges and universities are within a short driving distance. Quality health care is provided by Crittenton Hospital Medical Center, which is a full-service hospital that offers a variety of services for the community.

The City provides a full range of municipal services for the public's health, safety, welfare, and quality of life. City services include general administration, fire protection, police protection, planning and zoning, engineering, building and code enforcement, cemetery operations and maintenance, park operations and maintenance, street construction and maintenance, storm drain improvements, and pedestrian pathway construction and maintenance.

Water and sewer operations, maintenance, and capital improvements are provided from user charges that ensure adequate coverage of operating expenses, capital replacements, and payments on outstanding debt.

**Local Economy** - The City of Rochester Hills is a desirable community and continues to attract new residents and businesses. The economic condition of the City is fiscally sound and stable. The City has one of the lowest tax rates compared to other communities in Oakland County. The future, however, is filled with economic uncertainty, challenges, and new opportunities.

Revenue projections continue to be challenging due to the reduction in state-shared revenues. These revenues have declined approximately 11 percent since 2001. Due to the decrease in state-shared revenue, the City will be challenged in maintaining current levels of operating expenses.

The local economic base of the City of Rochester Hills possesses a diversified property tax base where residential housing comprises 75 percent of the tax base, 12 percent commercial, 6 percent industrial, and 7 percent personal property (business equipment, furniture, and machinery). No one taxpayer exceeds 1 percent of the tax roll and the top 10 payers combined account for less than 6 percent of the total. The following table illustrates the specific diversity of the City's tax base:

Single-family homes	18,277 homes
Condominiums - 9 complexes	3,455 units
Sr. Citizen - 9 buildings	1,190 units
Rental apartments - 24 complexes	4,363 units
Mobile home parks - 2 locations	1,391 sites
Shopping centers	39 centers
Hotel/Motels - 2 buildings	236 rooms
Office space	141 buildings
Commercial	163 buildings
Light industrial	278 buildings



The City offers a wide range of quality housing featuring many styles and price ranges. There are housing options and rental units to meet every lifestyle. Single-family homes range in value from \$80,000 to in excess of \$1,000,000; the average home is priced at \$265,500.

The principal source of revenue to fund the City's operations is property tax. The property tax revenues are a result of applying the millage rate set by the City Council within the restrictions of state law to the taxable value of real and personal property located within the City. The table below demonstrates the City's current tax base between real and personal, which is the basis for fiscal year 2004 property tax revenue.

<u>By Class</u>	<u>Taxable Value</u>	<u>Percent</u>
Real property	\$3,026,860,100	93
Personal property	<u>203,963,970</u>	<u>7</u>
Total	<u>\$3,230,824,070</u>	100
<u>By Use</u>		
Residential	\$2,415,192,410	75
Commercial	409,780,590	12
Industrial	201,887,100	6
Personal property	<u>203,963,970</u>	<u>7</u>
Total	<u>\$3,230,824,070</u>	100

### **Major Initiatives**

**Local Development Finance Authority** - The City established a local development district within the city limits that will participate in the realignment of Adams Road at the M59 interchange. The program seeks to foster new economic growth and development leading to additional employment opportunities within the City.

**Brownfield Redevelopment Authority** - The City continues to address the 1,200 acres of landfills within the City limits for cleanup and redevelopment.

**SmartZone** - The City has a SmartZone cooperative agreement to target, attract, retain, and support services for high-tech and research businesses. The City has formed this agreement with several municipalities and other entities to work with the City to accomplish these goals. The plan is currently at the State level for approval.

**Local Roads** - The City is currently pursuing the education of its residents and businesses as to the lack of funding for the City's local road program. No clear plan has been established for funding the needed local road projects. The City continues to work to develop a street improvement plan as the fund balance continues to deplete.

To the City Council Members  
and Residents of the  
City of Rochester Hills, Michigan

April 19, 2004

**Capital Improvement Plan** - The City of Rochester Hills Planning Commission adopted the 2004-2009 Capital Improvement Plan. Currently, the Commission is reviewing the 2005-2010 plan for the 2005 budget process. Significant capital projects include:

- Department of Public Service Facility
- Sanitary Rehabilitation Program
- Water Main Extensions
- Utility Radio Read System
- Drain Extensions
- Pedestrian Pathways Rehabilitation and Construction
- Major Road Construction

**Long-term Financial Planning** - The City will continue to improve and build upon its long-term processes. In 1995, the City developed a Five-year Financial Model. As part of the budgeting process, the Fiscal Team updates the long-range forecasts of revenue and expenditures. The forecasts serve as the framework for budgetary decision-making, by clarifying financial parameters and available options. The model provides historical data, current financial capacity given existing City programs, and future financial capacity, given our long-range plans and objectives.

The City has adopted the following financial policies to guide the process for long-term financial planning and decision-making.

**Capital Improvement Plan** - In accordance with the State of Michigan Planning Act 285, the Rochester Hills Planning Commission adopts a Capital Improvement Plan (CIP). The CIP is an exceptional tool that benefits our community and is meant to consider the immediate and future needs and goals of the City. The plan incorporates external infrastructure projects to address drainage, major and local roads, parks, and city-owned facilities. The plan also includes internal infrastructure projects necessary to continue government operations that deliver services to our residents, professional services needed for future planning, and projects that involve acquisition of new equipment.

**Debt Policy** - Subject to applicable provisions of State statutes and the City Charter, the City Council, by ordinance or proper resolution, may authorize the borrowing of money for any purpose. The City's general obligation bonded debt issuances are subject to a legal limitation based on 10 percent of taxable value of real and personal property. In addition, under current State statutes, the City's special assessment bond debt issuances are subject to a legal limitation based on 12 percent of taxable value of real and personal property.

**Investment Policy** - Funds of the City will be invested in accordance with Michigan Public Act 239 of the Public Acts of 1988, as amended. The City has an investment policy that identifies the following objectives, procedures, and policy: safety of capital, liquidity, return on investment, protection of purchasing power, and maintaining the public's trust.

To the City Council Members  
and Residents of the  
City of Rochester Hills, Michigan

April 19, 2004

The City has a cash management system designed to invest temporarily idle funds in obligations of the U.S. government, certificates of deposits from banks and savings and loan associates, commercial paper, bankers' acceptances, and municipal investment pooled trusts consistent with Public Act 20 as permitted by State law and the City's investment policy. All cash and investments are maintained in the City's name and insured when possible, and delivery versus payment is the preferred safekeeping technique. Collateralized cash and investments are of primary importance to the City. Under current State banking law, bank deposits are not permitted to be collateralized. The City exercises caution when making bank deposits above FDIC insurance levels.

**Risk Management** - The City is self-insured for comprehensive general liability, motor vehicle damage, comprehensive property damage, and public official liability through the Michigan Municipal Risk Management Authority (MMRMA). The City has aggregate excess reinsurance coverage for aggregate claims in excess of \$300,000 up to a maximum limit of \$15,000,000 per each occurrence.

The City participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims. The City is proactive in various risk control techniques to help control losses. These techniques include employee accident prevention training, defensive driving programs, and safety training programs.

**Pension and Postemployment Benefits** - The City provides pension benefits for substantially all full-time employees, members of the City Council, and paid-on-call firefighters, through a defined contribution plan. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings on contributions. The City makes monthly contributions to the plan and the plan is fully funded.

The City has established a Retiree Health Benefit Program, which is comprised of a health savings plan and a supplement benefit. Full-time employees who have completed their probation period are eligible for the health benefit plan. The City contributes to the health savings plan on a monthly basis and the plan is fully funded. The expenditures for the post-employment health care costs for employees participating in the supplement benefit plan are paid as the costs are incurred.

**Awards** - For each of the last 15 years (fiscal years 1988 through 2002, inclusive) the City of Rochester Hills, Oakland County, Michigan has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest recognition for excellence in state and local government financial reporting.

In order to meet the criteria for earning each Certificate of Achievement, the City of Rochester Hills published an easily readable, efficiently organized Comprehensive Annual Financial Report, whose contents conform to the program standards. Each award-winning CAFR has satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

To the City Council Members  
and Residents of the  
City of Rochester Hills, Michigan

April 19, 2004

The certificate of achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

**Acknowledgments** - The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated staff of the Accounting Division. Also, the cooperation and assistance of every department in the City has been invaluable. We thank all of them for their efforts.

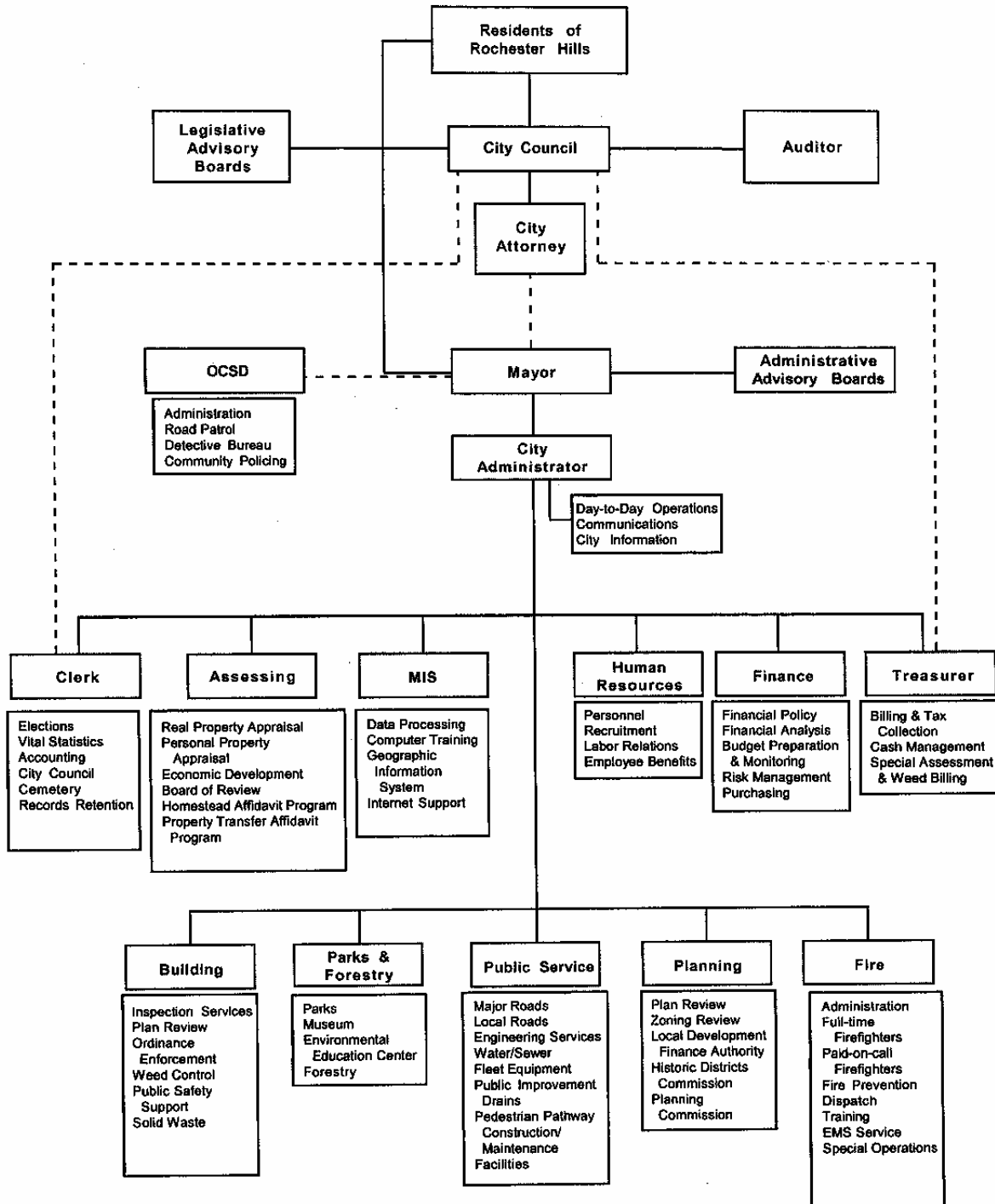
We also express our sincere appreciation to the accounting firm of Plante & Moran, PLLC, who assisted and contributed to this preparation. Additionally, members of the City Council are acknowledged for their ongoing interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

Pat Somerville, Mayor  
City Accountant

Pamela S. Lee, City Accountant  
Department of the City Clerk  
Accounting Division

## Functional City-Wide Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rochester Hills,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF ROCHESTER HILLS  
OAKLAND COUNTY, MICHIGAN**

**CITY ADMINISTRATION**

**SCOTT COPE**  
DIRECTOR OF BUILDING

**KURT DAWSON**  
DIRECTOR OF ASSESSING/TREASURER

**BOB GRACE**  
DIRECTOR OF MANAGEMENT INFORMATION SERVICES

**MICHAEL HARTNER**  
DIRECTOR OF PARKS & FORESTRY

**BEVERLY JASINSKI**  
CITY CLERK

**JULIE JENUWINE**  
INTERIM FINANCE DIRECTOR

**PAMELA S. LEE**  
CITY ACCOUNTANT

**PAMELA M. LEE**  
DIRECTOR OF HUMAN RESOURCES

**ED ANZEK**  
DIRECTOR OF PLANNING

**ROGER ROUSSE**  
DIRECTOR OF PUBLIC SERVICES

**GREGORY WALTERHOUSE**  
FIRE CHIEF

## Independent Auditor's Report

To the Honorable Mayor  
and Members of the City Council  
City of Rochester Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rochester Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.





to the Honorable Mayor  
and Members of the City Council  
City of Rochester Hills, Michigan

**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester Hills, Michigan's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining balance sheets and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2004 on our consideration of the City of Rochester Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 12, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

*Plante & Moran, PLLC*

April 2, 2004

# City of Rochester Hills

## Management's Discussion and Analysis

Our discussion and analysis of the City of Rochester Hills, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the City's financial statements.

### Using this Annual Report

The City of Rochester Hills, Michigan's financial statements are presented in a new and updated format for the fiscal year ended December 31, 2003. The annual report is comprised of five sections beginning with this section entitled management's discussion and analysis, the basic financial statements, required supplemental information, other supplementary information, and the statistical section.

This section of the financial statements, also known as the management's discussion and analysis (MD&A), is a verbal representation and explanation of the City's financial performance that occurred during the course of the year.

### Government-wide Statements

The MD&A is followed by the City's basic financial statements that are comprised of two sections. The first two statements, entitled government-wide statement of net assets followed by the government-wide statement of activities, are financial statements that represent the City as a whole and provide a long-term perspective regarding the City's overall financial status. The statement of net assets include all of the City's assets and liabilities as further described in Notes 5 and 7, respectively, to the financial statements. Finally, the difference between the City's assets and liabilities is the "net assets," which is one way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities, on the other hand, reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid and represents the change in net assets from one year to the next.

The City's activities are broken into three distinct categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

- The governmental activities column reports the City's basic services, including fire, police, department of public works, parks and recreation, and general administration.
- Business-type activity represents those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system is the only business-type activity reported here.

# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

- The City has six discretely presented component units (four of which had financial activity during 2003) included in this report as follows: the Local Development Finance Authority, the Economic Development Corporation, the Rochester-Avon Recreation Authority, the Older Persons' Commission, the Brownfield Redevelopment Authority, and the Automation Alley SmartZone. Although legally separate, these component units are important because the City is financially accountable for them. Further information regarding the purpose of each component unit may be found in Note I to the financial statements.

### Fund Financial Statements

The City's fund financial statements are similar to the historical presentation; however, this section individually discloses only those funds designated as the City's "major" or significant funds. All nonmajor funds are aggregated into one column. These statements provide a higher level of detail than the government-wide statements and continue to illustrate how the services provided by the City were financed in the short term as well as what remains for future spending. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** - Most of the City's basic services included in the governmental funds not only focus on how cash and other financial assets that can readily be converted to cash, flow in and out, but also what year-end balances are available to finance future City programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the differences between the two methods of reporting. Pages 17 and 20 illustrate this concept.
- **Proprietary Funds** - Services for which the City charges customers fees are reported in this fund type. This fund type provides both the short- and long-term financial information comparable to the business-type activity in the government-wide statements. Additional information, such as cash flow statements, is provided for further detail.

The City uses two types of proprietary funds; the Water and Sewer Fund is an Enterprise Fund, which typically charges residents usage fees. The other proprietary fund type is Internal Service Funds, of which the City has four, which are used to report activities that provide services to other City funds and activities, typically covered by charges to other City departments. Individual financial statements are presented for each fund in the section entitled "other supplemental information". The activity of the Internal Service Funds is eliminated in the government-wide statements to avoid double reporting of revenues and expenses.

- **Fiduciary Funds** - The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. Fiduciary activity is excluded from the City's government-wide statements because these assets are not available to finance City operations.

# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City as a Whole

The City's combined net assets increased 0.4 percent, or \$1.1 million, from \$269.7 million in 2002 to \$270.8 million in 2003. Of this increase, \$1.0 million, or 90.9 percent, is attributable to governmental activities. This is primarily due to investments in infrastructure assets such as the City Hall expansion, the construction of a new sheriff substation, and improvements to the road system, which is funded by gasoline tax and special assessments. Business-type net assets were virtually unchanged between 2002 and 2003 - remaining at approximately \$118 million. Unrestricted net assets for governmental activities, which is a component of total net assets that funds daily operations, decreased 47.8 percent, or \$12.9 million, to \$14.1 million at December 31, 2003. This primarily relates to the investments made in capital assets as mentioned above.

The City's total liabilities decreased approximately \$7.3 million, or 6.9 percent, to \$98.6 million in 2003. This relates primarily to paying off or reducing outstanding debt in both the business-type and governmental activities by \$2.2 million and \$5.1 million, respectively.

The City's 2003 assets totaled \$369.4 million, down \$6.2 million, or 1.7 percent from 2002. This relates primarily to governmental investments decreasing as a result of both lower earnings from reduced interest rates and completion of several major construction projects such as the Older Persons' Commission facility and City Hall expansion.

In condensed format, the table below shows the comparison of net assets (in millions) as of December 31, 2003 to the prior year:

	Governmental Activities		Business-type Activities		Total Primary Government		
	2003	2002	2003	2002	2003	2002	Change
Current assets	\$ 94.7	\$ 109.4	\$ 16.0	\$ 18.7	\$ 110.7	\$ 128.1	(13.6)
Long-term receivables	1.3	1.6	1.7	2.0	3.0	3.6	(16.7)
Restricted assets	1.0	5.4	1.2	1.2	2.2	6.6	(66.7)
Capital assets	<u>151.5</u>	<u>136.2</u>	<u>102.0</u>	<u>101.1</u>	<u>253.5</u>	<u>237.3</u>	6.8
Total assets	248.5	252.6	120.9	123.0	369.4	375.6	(1.7)
Current liabilities	34.7	40.8	2.9	5.1	37.6	45.9	(18.1)
Long-term liabilities	<u>61.0</u>	<u>60.0</u>	<u>-</u>	<u>-</u>	<u>61.0</u>	<u>60.0</u>	1.7
Total liabilities	<u>95.7</u>	<u>100.8</u>	<u>2.9</u>	<u>5.1</u>	<u>98.6</u>	<u>105.9</u>	(6.9)
Net assets:							
Invested in capital assets -							
Net of related debt	102.1	95.9	102.0	98.9	204.1	194.8	4.8
Restricted	36.6	28.9	-	-	36.6	28.9	26.6
Unrestricted	<u>14.1</u>	<u>27.0</u>	<u>16.0</u>	<u>19.0</u>	<u>30.1</u>	<u>46.0</u>	(34.6)
Total net assets	<u>\$ 152.8</u>	<u>\$ 151.8</u>	<u>\$ 118.0</u>	<u>\$ 117.9</u>	<u>\$ 270.8</u>	<u>\$ 269.7</u>	0.4

# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets (in millions of dollars) for the year ended December 31, 2003. Since this is the first year of implementation of GASB No. 34, no comparable figures for the fiscal year 2002 statement of activities exist for governmental functions, but will be presented in future years.

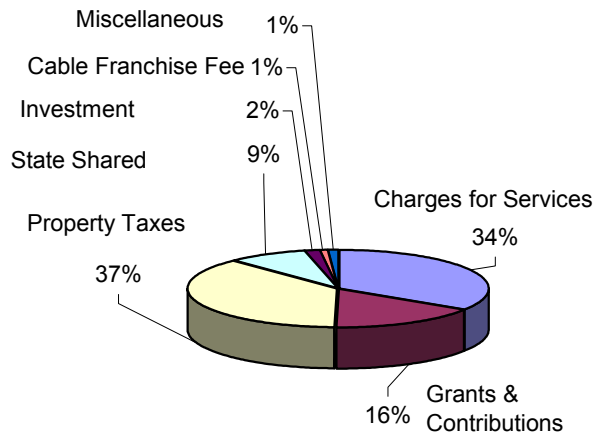
	Governmental Activities 2003	Business-type Activities 2003	Total 2003
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 4.6	\$ 17.7	\$ 22.3
Grants and contributions	8.4	2.1	10.5
General revenue:			
Property taxes	24.5	-	24.5
State-shared revenue	5.7	-	5.7
Investment earnings	0.9	0.2	1.1
Cable franchise fees	0.5	-	0.5
Miscellaneous	0.6	0.1	0.7
Transfers	0.1	(0.1)	-
Total revenue	45.3	20.0	65.3
<b>Program Expenses</b>			
General government	5.3	-	5.3
Public works	11.8	-	11.8
Public safety	12.5	-	12.5
Community and economic development	1.1	-	1.1
Recreation and culture	10.8	-	10.8
Interest on long-term debt	2.8	-	2.8
Water and sewer	-	19.9	19.9
Total program expenses	44.3	19.9	64.2
<b>Change in Net Assets</b>	1.0	0.1	1.1
<b>Net Assets - Beginning of year</b>	151.8	117.9	269.7
<b>Net Assets - End of year</b>	<u>\$ 152.8</u>	<u>\$ 118.0</u>	<u>\$ 270.8</u>

The City's governmental activity revenue exceeded annual expenses by just over \$1.0 million, resulting in an increase in net assets as of December 31, 2003 to \$152.8 million. Revenues for business-type activities, on the other hand, slightly exceeded expenses by just under \$100,000, resulting in end of year net assets reported just under \$118 million. The graphs on the following page illustrate the primary sources of revenue and expenses for the total primary government of the City of Rochester Hills for the year ended December 31, 2003.

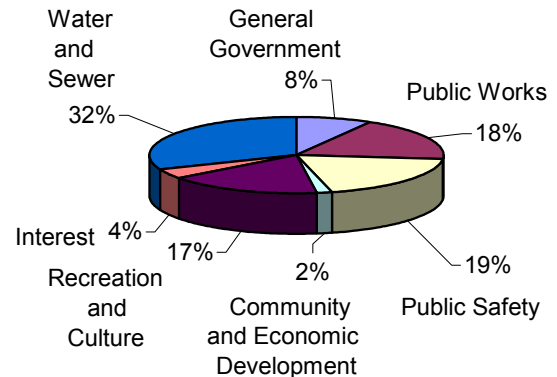
# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

### Sources of Revenue for Fiscal Year 2003



### Functional Expenses for Fiscal Year 2003



### Governmental Activities

Of the City's total revenue generated for fiscal year 2003, property taxes comprise the largest segment. This governmental revenue increased over the prior year by approximately \$892,000, or 3.8 percent. This increase primarily relates to a 5.3 percent increase in taxable value while the millage rates remained substantially flat. Of the grants and contributions revenue, approximately \$2.3 million of the governmental activity relates to road systems donated by developers, while much of the remaining is associated with the State of Michigan Act 51 revenues for the major and local road systems in the amount of \$4.2 million. Finally, the next largest segment for governmental activity-related revenue is that of state-shared revenue, which comprises 9 percent of total revenue generated by the City. Collections of this revenue source decreased over the prior year by just under \$400,000, or 6.3 percent, as a result of reductions driven at the State level due to a lackluster economy.

The majority of governmental expense is associated with the public safety function, which includes both fire and police services. Public works expense follows public safety at 18 percent of the City's total expenses, with the next substantial segment being that of recreation and culture, which comprises 17 percent of the City's total expenses. A major expense of the 2003 recreation and culture function was construction of a new facility owned and operated by the Older Persons' Commission (OPC). Construction costs were paid from debt proceeds for which the City of Rochester Hills, City of Rochester, and Oakland Township are responsible. This construction activity is a one-time expense in the amount of approximately \$6.2 million for fiscal year 2003. The OPC facility was substantially complete at December 31, 2003.

# **City of Rochester Hills, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water purchased from the City of Detroit Water System to area residents. Of the City's charge for service revenue, the majority is generated from these charges passed on to residents, which approximates \$17.7 million. These revenues are offset by water and sewer expenses approximating \$19.9 million, or 31 percent of the City's total expenses, effectively causing the business activity to roughly break even after capital contributions and transfers. Overall, business-type activity net assets remained approximately the same as of December 31, 2003 as compared to December 31, 2002.

### **Financial Analysis of the City's Funds**

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to State legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal 2003 include the General Fund, the Major Road Fund, the Local Road Fund, the Fire Fund, the Special Police Protection Fund, the OPC Building Construction Fund, and the Municipal Building Construction Fund. Capital improvements in the major funds include several road reconstruction projects in addition to the City's continued annual repair efforts in the Major and Local Road Funds. The City's Fire Operating Fund transferred resources to the Fire Apparatus Fund for the purchase of two rescue pumpers and two aerials. Both the OPC Building Construction Fund and Municipal Building Construction Fund substantially completed each of their respective building projects. Finally, the General Fund transferred a considerable amount of its operating funds to subsidize programs such as police protection, provide seed money for new projects, and cover its share for internal services.

### **General Fund Budgetary Highlights**

The City administration, mayor, and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year. Major General Fund revenue amendments during fiscal year 2003 were decreases in anticipated state-shared revenues, decreases in departmental administrative interfund charges, and a transfer in from the Capital Improvement Fund. This revenue source was to cover the City's portion of the "Rails to Trails" grant for the Parks Department. The City, however, did not receive funding on this anticipated grant. Fees and permits increased this year from better than expected building permit revenue, causing an increased trickle-down effect to electrical, heating, and plumbing permit revenues. Despite these increases, however, total revenues came in at approximately \$14,000 under budget.

# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

General Fund expenditures, on the other hand, came in just under \$1.0 million, or 4.2 percent, of what had been budgeted, resulting in the 2003 fund balance decreasing by approximately \$955,000, or 9.9 percent, over the forecasted amount based on the amended budget. The most significant positive variances are primarily a result of departments reporting lower salary and related benefit expenditures than anticipated, due to a "no overtime" policy implemented by the mayor. These positives were offset by an unfavorable expenditure variance for the Parks and Recreation Department, whereby salaries and related benefits actually increased due to elevated staff hours as a result of a dryer than normal summer season. Additionally, the Community Development Block Grant had an unanticipated reimbursable year-end expense.

### Capital Asset and Debt Administration

At the end of 2003, the City of Rochester Hills had \$253.5 million invested in a broad range of capital assets including land, buildings, technology equipment, fire equipment, water and sewer lines, and infrastructure. Infrastructure assets include right-of-way, roads, pathways, and storm drains that have been incorporated in the City's financial statements for the first time this fiscal year. As of December 31, 2003, the net value of these assets is \$61.9 million and is a component of the total net assets previously mentioned. Additional detailed information about the City's capital assets may be found in Notes 1 and 5 to the financial statements.

City of Rochester Hills Capital Assets (net of depreciation, in millions of dollars)							
	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2003	2002	2003	2002	2003	2002	Change 2002-2003
Land	\$ 18.3	\$ 18.2	\$ 6.4	\$ 6.4	24.7	24.6	0.4
Right of way	37.3	35.5	-	-	37.3	35.5	5.1
Construction in progress	-	3.4	1.9	0.6	1.9	4.0	(52.5)
Building and land improvements	26.5	12.2	0.5	0.3	27.0	12.5	116.0
Furniture and equipment	3.8	3.1	2.1	0.8	5.9	3.9	51.3
Vehicles	3.7	2.4	-	-	3.7	2.4	54.2
Infrastructure	61.9	61.4	91.1	93.1	153.0	154.5	(1.0)
Total	<u>\$ 151.5</u>	<u>\$ 136.2</u>	<u>\$ 102.0</u>	<u>\$ 101.2</u>	<u>\$ 253.5</u>	<u>\$ 237.4</u>	<b>6.8</b>

The City of Rochester Hills' debt rating is excellent. The City maintains a AA+ by Fitch Ratings and Standard and Poor's. The City's bond indebtedness and contractual obligations totaled \$59.7 million at December 31, 2003. During the fiscal year, the City issued \$2.8 million in refunding bonds to refinance existing drainage bonds. By refinancing the debt, the City will reduce its debt service payments by \$595,000 over the next 10 years. Additional detailed information about the City's long-term debt can be found in Note 7 to the financial statements.



# City of Rochester Hills, Michigan

## Management's Discussion and Analysis (Continued)

### City of Rochester Hills Outstanding Debt (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2003	2002	2003	2002	2003	2002	2002-2003
General Obligation Bonds	\$ 35.9	\$ 38.4	\$ -	\$ -	\$ 35.9	\$ 38.4	(6.5)
County Contractual Obligations	19.4	20.3	-	2.3	19.4	22.6	(14.2)
Special Assessment Bonds	4.4	5.0	-	-	4.4	5.0	(12.0)
Total	<u>\$ 59.7</u>	<u>\$ 63.7</u>	<u>\$ -</u>	<u>\$ 2.3</u>	<u>\$ 59.7</u>	<u>\$ 66.0</u>	<u>(9.5)</u>

### Economic Factors and Next Year's Budgets and Rates

The City's tax base is expected to continue to grow during 2004 by approximately \$166.0 million, or 5.4 percent. The City's tax rate has been stable for the past three years at 9.3681 mills and is expected to remain the same for fiscal year 2004. This rate represents the third lowest millage rate among cities in Oakland County. The low millage rate, combined with the effects of Proposal A, Headlee roll-back provisions, and our unique taxing structure, is making it more and more difficult for the City to provide an optimal revenue package to fund current and increased levels of services and infrastructure improvements. Taxes account for 54.4 percent of total governmental-type revenues and 39.1 percent of General Fund revenues for fiscal year 2003 and are budgeted at 46.0 percent and 42.5 percent, respectively, for fiscal year 2004. State-shared revenue, which accounts for 27.4 percent of the General Fund total revenue in 2003, is budgeted for 26.0 percent in 2004. This reflects an anticipated decrease in the statutory portion of approximately \$237,600. Despite these expectations, the fiscal year 2004 General Fund budget is balanced with only an approximated \$200,000 drawdown of undesignated fund balance.

The City's Local Road Fund, on the other hand, anticipates using approximately \$1.9 million of fund balance for fiscal year 2004. The increased usage of fund balance predominantly relates to a decrease in the transferable amount of allowed funds from the Major Road Fund approximating \$3.9 million, or 83.6 percent of the total transfer to the Local Road Fund. Historically, the State of Michigan approved supplementary transfers under Public Act 54 of 1999. The ability to make this supplemental transfer, however, has been restricted under PA 9 of 2004. There are no major projects planned for the Local Road Fund in 2004. Road maintenance in terms of winter snow removal and summer maintenance will be the prevailing tasks of this fund.

The Water and Sewer Fund anticipates issuing bonds in 2004 for several water and sewer main projects in addition to improvements to the DPS facility, radio read systems, and a feasibility study for a water storage facility. It is anticipated that the water and sewer charges may increase in 2004 by approximately 5 percent to alleviate increases passed on by the City of Detroit.

# **City of Rochester Hills, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the City's Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, or need additional information, we welcome you to contact the administrative offices at City Hall.

# City of Rochester Hills, Michigan

## Statement of Net Assets December 31, 2003

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 43,000,274	\$ 6,217,498	\$ 49,217,772	\$ 2,417,547
Investments (Note 3):	35,104,692	6,968,671	42,073,363	1,969,275
Receivables - Net				
Property tax	14,326,837	-	14,326,837	-
Customers	399,295	2,655,718	3,055,013	128,536
Accrued interest	64,207	-	64,207	5,334
Due from other governmental units	1,835,976	-	1,835,976	376,664
Internal balances	(44,538)	44,538	-	-
Inventories	39,359	99,323	138,682	33,623
Long-term receivables	1,057,290	1,724,608	2,781,898	-
Other assets	200,940	-	200,940	8,309
Restricted assets (Note 8)	1,014,695	1,174,359	2,189,054	449,690
Non-depreciable capital assets (Note 5)	55,592,439	8,318,873	63,911,312	-
Depreciable capital assets - Net (Note 5)	95,925,643	93,658,758	189,584,401	16,543,785
<b>Total assets</b>	<b>248,517,109</b>	<b>120,862,346</b>	<b>369,379,455</b>	<b>21,932,763</b>
<b>Liabilities</b>				
Accounts payable	2,606,411	2,417,030	5,023,441	487,027
Accrued and other liabilities	2,497,590	335,849	2,833,439	72,557
Deposits and escrows	3,461,228	120,155	3,581,383	-
Deferred revenue (Note 4)	26,127,797	-	26,127,797	509,223
Noncurrent liabilities (Note 7):				
Due within one year - Debt	4,513,516	-	4,513,516	-
Due in more than one year - Debt	55,218,037	-	55,218,037	-
Due within one year - Other noncurrent liabilities	736,546	-	736,546	-
Due in more than one year - Other noncurrent liabilities	566,370	-	566,370	-
<b>Total liabilities</b>	<b>95,727,495</b>	<b>2,873,034</b>	<b>98,600,529</b>	<b>1,068,807</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	102,143,868	101,977,631	204,121,499	16,543,785
Restricted:				
Streets and highways	16,527,755	-	16,527,755	-
Dedicated millages	7,036,394	-	7,036,394	-
Debt service	3,746,922	-	3,746,922	-
Capital projects	9,238,247	-	9,238,247	-
Other purposes	-	-	-	449,690
Unrestricted	14,096,428	16,011,681	30,108,109	3,870,481
<b>Total net assets</b>	<b>\$ 152,789,614</b>	<b>\$ 117,989,312</b>	<b>\$ 270,778,926</b>	<b>\$ 20,863,956</b>

# City of Rochester Hills, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 5,315,958	\$ 162,091	\$ -	\$ -
Public works	11,821,075	300,572	4,471,316	3,818,388
Public safety	12,454,832	3,377,608	75,859	-
Community and economic development	1,122,233	237,043	-	7,890
Recreation and culture	10,811,594	545,082	27,541	27,510
Interest on long-term debt	2,756,725	-	-	-
Total governmental activities	44,282,417	4,622,396	4,574,716	3,853,788
Business-type activities - Sewer	8,038,655	7,003,752	-	991,936
Business-type activities - Water	11,902,078	10,720,905	-	1,023,476
Total business-type activities	19,940,733	17,724,657	-	2,015,412
Total primary government	<u><u>\$ 64,223,150</u></u>	<u><u>\$ 22,347,053</u></u>	<u><u>\$ 4,574,716</u></u>	<u><u>\$ 5,869,200</u></u>
Component units:				
Local Development Finance Authority	\$ 284,007	\$ -	\$ -	\$ -
Rochester-Avon Recreation Authority	1,758,767	1,703,259	-	-
Older Persons' Commission	3,212,358	450,006	-	1,496,593
Total component units	<u><u>\$ 5,255,132</u></u>	<u><u>\$ 2,153,265</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,496,593</u></u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Cable franchise fees				
Miscellaneous				
Special item - Gain on sale of capital assets				
Special item - Contribution from other governments				
Total general revenues and special items				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year, as adjusted (Note 12)</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2003**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (5,153,867)	\$ -	\$ (5,153,867)	\$ -
(3,230,799)	-	(3,230,799)	-
(9,001,365)	-	(9,001,365)	-
(877,300)	-	(877,300)	-
(10,211,461)	-	(10,211,461)	-
(2,756,725)	-	(2,756,725)	-
(31,231,517)	-	(31,231,517)	-
-	(42,967)	(42,967)	-
-	(157,697)	(157,697)	-
-	(200,664)	(200,664)	-
(31,231,517)	(200,664)	(31,432,181)	-
-	-	-	(284,007)
-	-	-	(55,508)
-	-	-	(1,265,759)
-	-	-	(1,605,274)
24,461,796	-	24,461,796	1,649,339
5,712,210	-	5,712,210	-
918,270	249,785	1,168,055	49,746
551,341	-	551,341	-
602,605	19,540	622,145	24,776
-	-	-	2,027,500
-	-	-	9,032,702
32,246,222	269,325	32,515,547	12,784,063
1,014,705	68,661	1,083,366	11,178,789
151,774,909	117,920,651	269,695,560	9,685,167
<b>\$ 152,789,614</b>	<b>\$ 117,989,312</b>	<b>\$ 270,778,926</b>	<b>\$ 20,863,956</b>

# City of Rochester Hills, Michigan

	General	Major Road	Local Road	Fire
<b>Assets</b>				
Cash and cash equivalents	\$ 6,566,986	\$ 3,605,184	\$ 2,005,496	\$ 2,297,486
Investments	11,967,849	8,846,851	1,649,971	1,000,000
Receivables:				
Property tax	5,158,571	-	-	3,177,155
Federal government	-	-	-	-
State of Michigan	-	503,687	185,453	-
Oakland County	33,977	-	-	-
Accounts	197,906	-	20,414	-
Interest and other	41,564	6,114	3,540	2,335
Due from other funds	471	802	114,271	740,919
Inventories	-	-	39,359	-
Long-term receivables	-	-	349,775	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 23,967,324</u>	<u>\$ 12,962,638</u>	<u>\$ 4,368,279</u>	<u>\$ 7,217,895</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 176,758	\$ 134,193	\$ 68,223	\$ 32,483
Retainages payable	-	10,000	32,557	-
Accrued wages	319,041	21,812	54,361	145,695
Deposits and escrows	3,411,217	500	11,800	-
Due to other funds	73,602	112,485	-	23
Deferred revenue	9,359,879	-	351,501	5,762,158
Other liabilities	49,210	1,652	4,078	8,174
Total liabilities	13,389,707	280,642	522,520	5,948,533
<b>Fund Balances</b>				
Reserved for:				
Capital projects	-	-	-	-
Other purposes	-	-	389,132	-
Unreserved, reported in:				
General Fund - Undesignated	10,371,250	-	-	-
General Fund - Designated for subsequent years' budget	206,367	-	-	-
Special Revenue Funds - Undesignated	-	12,134,090	1,564,072	708,650
Special Revenue Funds - Designated for subsequent year's budget	-	547,906	1,892,555	560,712
Debt Service Funds - Undesignated	-	-	-	-
Debt Service Funds - Designated for subsequent years' budget	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	<u>10,577,617</u>	<u>12,681,996</u>	<u>3,845,759</u>	<u>1,269,362</u>
Total liabilities and fund balances	<u>\$ 23,967,324</u>	<u>\$ 12,962,638</u>	<u>\$ 4,368,279</u>	<u>\$ 7,217,895</u>

**Governmental Funds  
Balance Sheet  
December 31, 2003**

Special Police Protection	OPC Building Construction Fund	Municipal Building Construction Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 2,343,598	\$ 971,064	\$ 2,319,015	\$ 17,220,738	\$ 37,329,567
1,034,899	-	-	6,215,889	30,715,459
2,067,158	-	-	3,923,953	14,326,837
10,416	-	-	-	10,416
-	-	-	-	689,140
-	-	-	-	33,977
171,590	-	-	9,385	399,295
1,389	-	-	22,606	77,548
-	-	-	26,476	882,939
-	-	-	-	39,359
-	-	-	707,515	1,057,290
-	-	-	177,356	177,356
<b>\$ 5,629,050</b>	<b>\$ 971,064</b>	<b>\$ 2,319,015</b>	<b>\$ 28,303,918</b>	<b>\$ 85,739,183</b>
\$ 666,189	\$ 581,413	\$ 518,780	\$ 49,450	\$ 2,227,489
-	191,437	-	19,500	253,494
5,854	-	-	15,206	561,969
-	36,111	-	1,600	3,461,228
-	-	-	740,919	927,029
3,848,804	-	-	7,844,137	27,166,479
447	-	-	1,155	64,716
4,521,294	808,961	518,780	8,671,967	34,662,404
-	-	-	177,356	177,356
-	-	-	-	389,132
-	-	-	-	10,371,250
-	-	-	-	-
985,988	-	-	5,493,663	20,886,463
121,768	-	-	72,625	-
-	-	-	3,424,802	3,424,802
-	-	-	322,120	-
-	162,103	1,800,235	10,141,385	12,103,723
1,107,756	162,103	1,800,235	19,631,951	51,076,779
<b>\$ 5,629,050</b>	<b>\$ 971,064</b>	<b>\$ 2,319,015</b>	<b>\$ 28,303,918</b>	<b>\$ 85,739,183</b>

# City of Rochester Hills, Michigan

## Governmental Funds Reconciliation of Fund Balances to Statement of Net Assets Year Ended December 31, 2003

<b>Fund Balance - Total Governmental Funds</b>	<b>\$ 51,076,779</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	104,500,947
Special assessment receivables are expected to be collected over several years and are not available to pay current year expenditures	1,038,682
Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures	957,607
Accrued interest in governmental activities are not reported in the funds	(679,468)
Amortization of bond issuance costs are not reported in the funds	107,610
Compensated absences in governmental activities are not reported in the funds	(902,916)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(54,706,553)
Tax tribunal claims	(400,000)
Internal Service Funds are included as part of governmental activities	<u>51,796,926</u>
<b>Net Assets - Governmental Activities</b>	<b><u>\$ 152,789,614</u></b>



# City of Rochester Hills, Michigan

	General	Major Road	Local Road	Fire
<b>Revenue</b>				
Property taxes	\$ 8,370,089	\$ -	\$ -	\$ 5,725,582
Licenses and permits	2,018,469	-	30,041	11,500
Intergovernmental:				
State grants	5,863,048	3,276,864	1,168,414	6,231
Federal grants	221,358	-	-	-
Other governmental revenues	-	-	40,807	-
Charges for services	4,559,448	55,609	76,628	692,602
Fines and forfeitures	107,738	-	-	11,747
Investment earnings	257,733	165,825	86,537	49,804
Special assessments	-	-	78,301	-
Refunds and other revenue	40,525	26,330	18,191	67,492
Total revenue	21,438,408	3,524,628	1,498,919	6,564,958
<b>Expenditures</b>				
Current:				
General government	6,735,682	-	-	-
Public works	833,065	-	-	-
Public safety	2,441,570	-	-	5,145,175
Community and economic development	1,099,351	-	-	-
Streets	-	1,412,458	3,398,514	-
Recreation and culture	3,051,220	-	-	-
Capital outlay	39,240	1,130,731	2,207,307	33,400
Debt service	-	-	-	-
Total expenditures	14,200,128	2,543,189	5,605,821	5,178,575
<b>Excess of Revenue Over (Under) Expenditures</b>	7,238,280	981,439	(4,106,902)	1,386,383
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,238	1,467,178	4,601,829	-
Transfers out	(7,542,375)	(3,436,006)	(762,060)	(2,010,339)
Sales of fixed assets	14,986	-	-	47,320
Bond proceeds	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	(7,518,151)	(1,968,828)	3,839,769	(1,963,019)
<b>Net Change in Fund Balance</b>	(279,871)	(987,389)	(267,133)	(576,636)
<b>Fund Balances</b> - Beginning of year, as adjusted (Note 12)	10,857,488	13,669,385	4,112,892	1,845,998
<b>Fund Balances</b> - End of year	<u>\$ 10,577,617</u>	<u>\$ 12,681,996</u>	<u>\$ 3,845,759</u>	<u>\$ 1,269,362</u>

**Governmental Funds**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2003**

Special Police Protection	OPC Building Construction Fund	Municipal Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,536,940	\$ -	\$ -	\$ 6,829,185	\$ 24,461,796
-	-	-	-	2,060,010
27,964	-	-	-	10,342,521
41,664	-	-	144,000	407,022
164,458	-	-	-	205,265
55,439	-	-	156,619	5,596,345
428,295	-	-	-	547,780
37,157	57,543	74,232	287,087	1,015,918
-	-	-	218,825	297,126
61	-	-	1,399,071	1,551,670
4,291,978	57,543	74,232	9,034,787	46,485,453
-	-	-	-	6,735,682
-	-	-	913,655	1,746,720
6,372,470	-	-	-	13,959,215
-	-	-	-	1,099,351
-	-	-	-	4,810,972
-	-	-	1,247,712	4,298,932
-	6,240,114	6,803,543	3,721,342	20,175,677
-	-	-	6,481,359	6,481,359
6,372,470	6,240,114	6,803,543	12,364,068	59,307,908
(2,080,492)	(6,182,571)	(6,729,311)	(3,329,281)	(12,822,455)
2,479,942	-	-	4,933,614	13,491,801
(400,437)	-	-	(809,598)	(14,960,815)
3,010	-	-	-	65,316
-	-	-	2,810,626	2,810,626
-	-	-	(2,741,603)	(2,741,603)
2,082,515	-	-	4,193,039	(1,334,675)
2,023	(6,182,571)	(6,729,311)	863,758	(14,157,130)
1,105,733	6,344,674	8,529,546	18,768,193	65,233,909
<u>\$ 1,107,756</u>	<u>\$ 162,103</u>	<u>\$ 1,800,235</u>	<u>\$ 19,631,951</u>	<u>\$ 51,076,779</u>

# City of Rochester Hills, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (14,157,130)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	844,743
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(297,126)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	(150,839)
Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond	46,381
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	6,596,856
Bond proceeds are not reported as financing sources on the statement of activities	(2,810,626)
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	(446,922)
Internal Service Funds are also included as governmental activities	<u>11,389,368</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,014,705</u></b>

# City of Rochester Hills, Michigan

## Proprietary Funds Statement of Net Assets December 31, 2003

	Enterprise - Water and Sewer	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,217,498	\$ 5,670,707
Investments	6,968,671	4,389,233
Receivables:		
Accounts	2,655,718	-
Accrued interest	-	9,057
Other governmental units	-	144,836
Due from other funds	44,538	8,882
Inventories	99,323	-
Prepaid costs and other assets	-	70,932
Total current assets	15,985,748	10,293,647
Noncurrent assets:		
Restricted assets - Assets held at the County	1,174,359	837,339
Capital assets - Net	101,977,631	47,017,135
Long-term receivable	1,724,608	-
Total assets	120,862,346	58,148,121
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,417,030	378,922
Retainages payable	104,194	411,566
Accrued wages	85,064	64,622
Accrued vacation	87,663	73,683
Accrued annual leave	52,442	46,827
Deposits and escrows	120,155	-
Due to other funds	-	9,330
Accrued and other liabilities	6,486	273,799
Payable related to capital lease obligations:		
Current portion of capital lease obligations	-	175,000
Accrued interest	-	67,446
Total current liabilities	2,873,034	1,501,195
Long-term liabilities - Obligations under capital lease -		
Net of current portion	-	4,850,000
Total liabilities	2,873,034	6,351,195
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	101,977,631	42,829,474
Unrestricted	16,011,681	8,967,452
Total net assets	<u>\$ 117,989,312</u>	<u>\$ 51,796,926</u>

# City of Rochester Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Enterprise - Water and Sewer	Internal Service Funds
<b>Operating Revenue</b>		
Charges for services	\$ 17,724,657	\$ 6,886,565
Miscellaneous revenue	19,540	9,285
Total operating revenue	17,744,197	6,895,850
<b>Operating Expenses</b>		
Cost of water produced/purchased	6,222,278	-
Cost of sewage treatment	4,782,187	-
Salaries and wages	2,408,632	2,158,131
Professional services	2,290,730	1,196,129
Public utilities	-	558,665
Material and supplies	394,321	310,956
Repairs and maintenance	22,519	565,969
Rentals	916,096	212,917
Depreciation and amortization	2,869,706	1,856,471
Total operating expenses	19,906,469	6,859,238
<b>Operating Income (Loss)</b>	(2,162,272)	36,612
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	373,066	114,981
Net depreciation in fair value of investments	(123,281)	-
Capital and lateral charges	1,298,935	-
Interest expense	(34,264)	(232,336)
Gain on disposal of fixed assets	-	27,628
Total nonoperating revenue (expenses)	1,514,456	(89,727)
<b>Income (Loss) - Before contributions</b>	(647,816)	(53,115)
<b>Capital Contributions</b>	716,477	9,973,469
<b>Transfers from Other Funds</b>	-	1,469,014
<b>Change in Net Assets</b>	68,661	11,389,368
<b>Net Assets - Beginning of year, as adjusted (Note 12)</b>	117,920,651	40,407,558
<b>Net Assets - End of year</b>	<u>\$ 117,989,312</u>	<u>\$ 51,796,926</u>

# City of Rochester Hills, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2003

	Enterprise - Water and Sewer	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 17,764,270	\$ 6,741,729
Cash payments for goods and services	(14,450,560)	(2,412,486)
Cash payments to employees	(2,451,419)	(2,187,816)
Other operating revenue	-	9,285
Net cash provided by operating activities	862,291	2,150,712
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating transfers in from other funds	-	1,469,014
Repayments to (borrowings from) other funds	(125,249)	73,669
Net cash provided by (used in) noncapital financing activities	(125,249)	1,542,683
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from sale of capital assets	-	43,774
Payment for capital acquisitions	(2,954,385)	(2,049,950)
Collection of capital and lateral charges	1,298,935	-
Principal payments	(2,300,807)	(175,000)
Interest paid	(68,528)	(225,437)
Net cash used in capital and related financing activities	(4,024,785)	(2,406,613)
<b>Cash Flows from Investing Activities</b>		
Purchase of investment securities	(7,975,859)	(12,213,959)
Proceeds from maturities of investment securities	15,211,123	12,486,652
Receipts of interest and dividends	362,238	138,549
Net cash provided by investing activities	7,597,502	411,242
<b>Net Increase in Cash and Cash Equivalents</b>	4,309,759	1,698,024
<b>Cash and Cash Equivalents - January 1, 2003</b>	1,907,739	3,972,683
<b>Cash and Cash Equivalents - December 31, 2003</b>	<u>\$ 6,217,498</u>	<u>\$ 5,670,707</u>

# City of Rochester Hills, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2003

### Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities

Operating income (loss)	\$ (2,162,272)	\$ 36,612
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	2,869,706	1,856,471
Decrease in accounts receivable	20,073	-
Increase in other assets	-	(75,603)
Decrease in inventories	75,578	-
Increase in accounts payable and other accrued expenses	101,993	333,232
Decrease in accrued wages, vacation, and annual leave	(42,787)	-
Total adjustments	<u>3,024,563</u>	<u>2,114,100</u>
Net cash provided by operating activities	<u>\$ 862,291</u>	<u>\$ 2,150,712</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2003, the Water and Sewer Fund received \$615,332 of lines donated by developers, as well as \$101,145 of donated assets originally purchased by governmental activities.

# City of Rochester Hills, Michigan

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## **Fiduciary Funds Statement of Net Assets December 31, 2003**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,075,561
Other assets	<u>42,054</u>
 Total assets	 <b><u>\$ 6,117,615</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 6,082
Due to other governments	6,056,093
Accrued and other liabilities	<u>55,440</u>
 Total liabilities	 <b><u>\$ 6,117,615</u></b>



# City of Rochester Hills, Michigan

## Component Units Statement of Net Assets December 31, 2003

	Local Development Finance Authority	Economic Development Corporation	Rochester-Avon Recreation Authority	Older Persons' Commission	Totals
<b>Assets</b>					
Cash and investments	\$ 2,592,055	\$ 1,173	\$ 721,936	\$ 1,071,658	\$ 4,386,822
Due from other governmental units	372,689	-	1,493	2,482	376,664
Receivables - Accrued interest and other	4,971	-	41,822	87,077	133,870
Prepays	-	-	-	8,309	8,309
Inventories	-	-	33,623	-	33,623
Restricted assets	-	-	-	449,690	449,690
Capital assets	-	-	38,926	16,504,859	16,543,785
Total assets	2,969,715	1,173	837,800	18,124,075	21,932,763
<b>Liabilities</b>					
Accounts payable	37,499	-	43,451	406,077	487,027
Accrued and other liabilities	-	-	19,165	53,392	72,557
Deferred revenue	372,689	-	117,037	19,497	509,223
Total liabilities	410,188	-	179,653	478,966	1,068,807
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	-	-	38,926	16,504,859	16,543,785
Restricted - CDBG funds	-	-	-	449,690	449,690
Unrestricted	2,559,527	1,173	619,221	690,560	3,870,481
Total net assets	<u>\$ 2,559,527</u>	<u>\$ 1,173</u>	<u>\$ 658,147</u>	<u>\$ 17,645,109</u>	<u>\$ 20,863,956</u>

# City of Rochester Hills, Michigan

		Program Revenues	
	Expenses	Charges for Services	Capital Grants/Contributions
Local Development Finance Authority - Public service	\$ 284,007	\$ -	\$ -
Economic Development Corporation - Public works	-	-	-
Rochester-Avon Recreation Authority - Recreation and culture	1,758,767	1,703,259	-
Older Persons' Commission - Recreation and culture	3,212,358	450,006	1,496,593
Total governmental activities	<u>\$ 5,255,132</u>	<u>\$ 2,153,265</u>	<u>\$ 1,496,593</u>

## General revenues:

Property taxes

Unrestricted investment earnings

Miscellaneous

Special item - Gain on sale of land and building

Special item - Contribution from other governments

Total general revenues and special items

## Change in Net Assets (Deficit)

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended December 31, 2003**

Net (Expense) Revenue and Changes in Net Assets				
Local Development Finance Authority	Economic Development Corporation	Rochester-Avon Recreation Authority	Older Persons' Commission	Total
\$ (284,007)	\$ -	\$ -	\$ -	\$ (284,007)
-	-	-	-	-
-	-	(55,508)	-	(55,508)
-	-	-	(1,265,759)	(1,265,759)
(284,007)	-	(55,508)	(1,265,759)	(1,605,274)
492,589	-	-	1,156,750	1,649,339
34,210	9	-	15,527	49,746
-	-	-	24,776	24,776
-	-	-	2,027,500	2,027,500
-	-	-	9,032,702	9,032,702
526,799	9	-	12,257,255	12,784,063
242,792	9	(55,508)	10,991,496	11,178,789
2,316,735	1,164	713,655	6,653,613	9,685,167
<b>\$ 2,559,527</b>	<b>\$ 1,173</b>	<b>\$ 658,147</b>	<b>\$ 17,645,109</b>	<b>\$ 20,863,956</b>

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Rochester Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Rochester Hills, Michigan:

#### **Reporting Entity**

The City of Rochester Hills, Michigan is a municipal corporation that is governed by an elected seven-member council. The City provides the following services as authorized by its charter: public safety (fire protection and contract police service), street maintenance, water and wastewater distribution, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Joint Ventures** - The City is a member of the Paint Creek Trailways Commission, which was organized in 1981 for the purposes of owning, developing, maintaining, and otherwise operating certain nonmotorized public trails within the jurisdiction of the participating governmental organizations. The participating communities, which include Orion Township (8 percent), City of Rochester (11 percent), City of Rochester Hills (37 percent), and Oakland Township (44 percent), provide annual funding for its operations. During the current year, the City contributed approximately \$23,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

**Blended Component Units** - The Rochester Hills Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public facilities. During 2003, the Building Authority was instrumental in the oversight of City Hall construction.

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Discretely Presented Component Units** - The following component units are reported within the component unit column in the government-wide financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Local Development Finance Authority (LDFA) is governed by a 13-member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The City of Rochester Hills, Michigan has the ability to impose its will upon the LDFA. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City.
- b. The Economic Development Corporation (EDC) is governed by a 10-member board appointed by the mayor and confirmed by the City Council. The EDC was created to provide a means and method for encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The City of Rochester Hills, Michigan has the ability to impose its will upon the EDC. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.
- c. The Rochester-Avon Recreation Authority (R.A.R.A.) was organized for the purpose of providing extensive and varied recreational programs for persons residing within the jurisdiction of the participating governmental organizations.

Along with the City of Rochester Hills, Michigan, which is a 90 percent-member unit, the City of Rochester is also a member unit with a 10 percent interest. The governing body of R.A.R.A. consists of one City Council member and two Council-appointed persons from the City of Rochester Hills, one City Council member, and one Council-appointed person from the City of Rochester and three Board-appointed persons from each Rochester and Avondale Schools. There is a financial benefit/burden relationship between R.A.R.A. and the City of Rochester Hills.

- d. The Older Persons' Commission (O.P.C.) was organized in 1983 for the purpose of providing activities and services for older persons (those 60 years of age or older) residing within the jurisdiction of the participating governmental organizations. Along with the City of Rochester Hills, Michigan, which is a 75 percent participating member, Oakland Township (14 percent) and the City of Rochester (11 percent) are also member units of the O.P.C.

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The governing body of the O.P.C. consists of two City Council members and two Council-appointed older persons from the City of Rochester Hills, one City Council member and one Council-appointed older person from the City of Rochester, and one Board member and one Board-appointed older person from Oakland Township. There is a financial benefit/burden relationship between O.P.C. and the City of Rochester Hills.

- e. The Brownfield Redevelopment Authority (the "Authority") was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 32.2 square mile boundary of the City. The Brownfield Redevelopment Authority is governed by a seven-member board that is appointed by the mayor and confirmed by the City Council. During 2003, the Authority had no financial activity.
- f. The Automation Alley SmartZone (SmartZone) was created in 2003 to foster new economic growth and development by establishing clusters of technology companies. The program also seeks to develop relationships between these businesses and universities by providing businesses resources and accessibility to university facilities for the purpose of commercializing research. The SmartZone is governed by a 13-member board, which is appointed by the mayor and confirmed by the City Council. The City of Rochester Hills has the ability to impose its will upon the SmartZone. During 2003, the SmartZone had no financial activity.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Major Road Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.
- c. The Local Road Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain local road systems.
- d. The Fire Fund accounts for all revenue and expenditures for citywide fire operations, including millage collection.
- e. The Special Police Protection Fund accounts for the special millage for City police protection contracted with Oakland County.
- f. The OPC Building Construction Fund accounts for monies received and expended for the purpose of constructing a senior citizen activity building. Revenue was generated from bond proceeds. Expenditures are for purchase of land, development, and construction of a building.
- g. The Municipal Building Construction Fund accounts for monies received and expended for the purpose of constructing the addition to the City's municipal building. Revenue was generated from bond proceeds. Expenditures are for construction of the building's addition.

The City reports the following major proprietary funds:

The Water and Sewer Fund records maintenance and operations of water and sewer departments provided for City residents and is financed primarily through user charges.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

- a. Internal Service Funds account for costs of operating and maintaining the land, buildings, machinery, equipment, and vehicle purchases of the City, as well as risk management services provided to other departments of the City on a cost reimbursement basis.
- b. The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2002 tax is levied and collectible on December 1, 2002, and is recognized as revenue in the year ended December 31, 2003, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2002 taxable valuation of the City totaled approximately \$2,907,000,000 (of which approximately \$27,000,000 is captured by the LDFA), on which taxes are levied as follows:

Function	Mills	Dollars
General operating purposes	2.9188	\$ 8,407,937
Fire operating services	2.0136	5,800,405
Police protection services	1.2439	3,583,195
OPC operating, transportation, and building	0.4887	1,413,680
R.A.R.A. operating	0.1619	466,371
Bike path maintenance	0.1915	551,638
Drain maintenance	0.3270	941,961
Debt service	1.2174	3,539,897

These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income from pooled investments is generally allocated to each fund using a weighted average.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Assets have been restricted in the primary government, as they represent the assets held at Oakland County to be applied against future payment obligations of the City. See Note 8 for additional discussion.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets are depreciated using the straight-line method over the following useful lives:

Roads	20 years
Drainage flow rights	40 years
Water and sewer distribution systems	50 years
Buildings	50 years
Land improvements	15 years
Building improvements	10 years
Other tools and equipment	8 years
Vehicles	7 years
Office furnishings	3 years

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Annual Leave)** - It is the City's policy to permit employees to accumulate earned but unused vacation and annual leave pay benefits. All vacation and annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2003		\$	(46,002)
Building permit revenue			1,796,245
Related expenses:			
Direct expenses	\$	1,630,193	
Estimated indirect costs		<u>244,529</u>	
Total related expenses			<u>1,874,722</u>
Cumulative shortfall at December 31, 2003		\$	<u>(124,479)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated certain banks which they update annually for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all legal investments as noted above. The City of Rochester Hills' deposits and investment policies are in accordance with statutory authority.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Subtotal	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 43,000,274	\$ 6,217,498	\$ 49,217,772	\$ 6,075,561	\$ 55,293,333	\$ 2,417,547
Investments	35,104,692	6,968,671	42,073,363	-	42,073,363	1,969,275
Restricted assets	-	-	-	-	-	449,690
Total	<u>\$ 78,104,966</u>	<u>\$ 13,186,169</u>	<u>\$ 91,291,135</u>	<u>\$ 6,075,561</u>	<u>\$ 97,366,696</u>	<u>\$ 4,836,512</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 29,209,848	\$ 2,537,400
Investments in securities, mutual funds, and similar vehicles	68,151,630	2,297,962
Petty cash or cash on hand	<u>5,218</u>	<u>1,150</u>
Total	<u>\$ 97,366,696</u>	<u>\$ 4,836,512</u>

### Deposits

The bank balance of the City's deposits is approximately \$30,500,000 (without recognition of checks written but not yet cleared or of deposits in transit), of which \$1,000,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of approximately \$2,900,000, of which \$600,000 was covered by federal depository insurance.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 3 - Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government - U.S. government securities	<u>\$ -</u>	<u>\$ 17,195,416</u>	<u>\$ -</u>	\$ 17,195,416
Investments not subject to categorization:				
Bank investment pool funds				25,729,920
Interlocal agreement investment pool funds				<u>25,226,294</u>
Total primary government				<u>\$ 68,151,630</u>
Component units:				
Interlocal agreement investment pool funds				\$ 640,531
Bank investment pools				<u>1,657,431</u>
Total component units				<u>\$ 2,297,962</u>

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 3 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and interlocal agreement investment pool are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes	\$ -	\$ 26,017,861
Special assessments	1,038,682	-
Other	-	109,936
Total deferred revenue	<u>\$ 1,038,682</u>	<u>\$ 26,127,797</u>



# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance January 1, 2003	Reclass- ifications	Additions	Disposals and Adjustments	Transfer to Business-type Activity	Balance December 31, 2003
<b>Governmental Activities</b>						
Capital assets not being depreciated:						
Land	\$ 18,247,342	\$ -	\$ 106,558	\$ -	\$ (69,000)	\$ 18,284,900
Right of way	35,531,772	-	1,775,767	-	-	37,307,539
Construction in progress	3,441,030	(3,441,030)	-	-	-	-
Subtotal	57,220,144	(3,441,030)	1,882,325	-	(69,000)	55,592,439
Capital assets being depreciated:						
Roads	67,382,308	-	4,594,843	-	-	71,977,151
Drain flowage rights	27,537,175	-	-	-	-	27,537,175
Land improvements	8,423,813	20,000	1,898,417	-	-	10,342,230
Building improvements	14,034,669	3,421,030	10,521,384	146,185	(293,021)	27,537,877
Vehicles	7,797,998	1,364,038	561,307	625,641	-	9,097,702
Office furnishings	4,829,857	-	1,426,415	1,686,687	-	4,569,585
Other tools and equipment	4,386,115	(1,364,038)	1,761,622	296,966	-	4,486,733
Subtotal	134,391,935	3,441,030	20,763,988	2,755,479	(293,021)	155,548,453
Accumulated depreciation:						
Roads	25,374,186	-	3,598,857	-	-	28,973,043
Drain flowage rights	8,026,970	-	688,430	-	-	8,715,400
Land improvements	5,438,606	-	541,823	-	-	5,980,429
Building improvements	4,971,048	-	618,707	132,288	(260,876)	5,196,591
Vehicles	5,416,834	-	538,094	598,746	-	5,356,182
Office furnishings	3,547,405	-	746,261	1,677,876	-	2,615,790
Other tools and equipment	2,677,154	-	381,321	273,100	-	2,785,375
Subtotal	55,452,203	-	7,113,493	2,682,010	(260,876)	59,622,810
Net capital assets being depreciated	78,939,732	3,441,030	13,650,495	73,469	(32,145)	95,925,643
Net capital assets	\$ 136,159,876	\$ -	\$ 15,532,820	\$ 73,469	\$ (101,145)	\$ 151,518,082

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2003	Reclass- ifications	Additions	Disposals and Adjustments	Transfer from Governmental Activity	Balance December 31, 2003
Capital assets not being depreciated:						
Land	\$ 6,357,799	\$ -	\$ -	\$ -	\$ 69,000	\$ 6,426,799
Construction in progress	574,794	-	1,317,280	-	-	1,892,074
Subtotal	6,932,593	-	1,317,280	-	69,000	8,318,873
Capital assets being depreciated:						
Water and sewer distribution systems	134,286,607	(1,417,129)	2,109,132	-	-	134,978,610
Land improvements	196,906	-	-	-	-	196,906
Building improvements	697,080	-	114,935	162,519	293,021	942,517
Office furnishings	-	-	6,127	-	-	6,127
Other tools and equipment	3,649,501	1,417,129	22,243	15,579	-	5,073,294
Subtotal	138,830,094	-	2,252,437	178,098	293,021	141,197,454
Accumulated depreciation:						
Water and sewer distribution systems	41,183,289	(37,632)	2,721,137	-	-	43,866,794
Land improvements	173,982	-	2,837	-	-	176,819
Building improvements	334,471	-	13,959	162,519	260,876	446,787
Office furnishings	-	-	-	-	-	-
Other tools and equipment	2,894,470	37,632	131,773	15,579	-	3,048,296
Subtotal	44,586,212	-	2,869,706	178,098	260,876	47,538,696
Net capital assets being depreciated	94,243,882	-	(617,269)	-	32,145	93,658,758
Net capital assets	\$ 101,176,475	\$ -	\$ 700,011	\$ -	\$ 101,145	\$ 101,977,631

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Rochester Hills' component units for the year was as follows:

Component Units	Balance January 1, 2003	Transfers	Additions	Disposals and Adjustments	Balance December 31, 2003
Land	\$ 2,495,739	\$ -	\$ 294,505	\$ -	\$ 2,790,244
Construction in progress	<u>2,812,046</u>	<u>(2,812,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	5,307,785	(2,812,046)	294,505	-	2,790,244
Capital assets being depreciated:					
Building	275,975	2,812,046	9,032,702	275,975	11,844,748
Building improvements	244,118	-	361,257	244,118	361,257
Land improvements	-	-	15,667	-	15,667
Furniture, equipment, and other	540,193	-	1,353,365	176,910	1,716,648
Vehicles	<u>539,272</u>	<u>-</u>	<u>221,052</u>	<u>45,000</u>	<u>715,324</u>
Subtotal	1,599,558	2,812,046	10,984,043	742,003	14,653,644
Less accumulated depreciation	<u>1,035,054</u>	<u>-</u>	<u>607,052</u>	<u>742,003</u>	<u>900,103</u>
Net capital assets being depreciated	<u>564,504</u>	<u>2,812,046</u>	<u>10,376,991</u>	<u>-</u>	<u>13,753,541</u>
Net capital assets	<u>\$ 5,872,289</u>	<u>\$ -</u>	<u>\$ 10,671,496</u>	<u>\$ -</u>	<u>\$ 16,543,785</u>

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 328,607
Public works	4,547,429
Public safety	207,059
Recreation and culture	173,927
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	<u>1,856,471</u>
Total governmental activities	<u>\$ 7,113,493</u>

#### Business-type activities:

Water	\$ 1,718,431
Sewer	<u>1,151,275</u>
Total business-type activities	<u>\$ 2,869,706</u>

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Total Contract Amount	Remaining Commitment
OPC building construction	\$ 11,500,000	\$ 375,443
Municipal building construction	9,763,871	677,832
SCADA rehabilitation and upgrade	1,427,899	22,243
Total	<u>\$ 22,691,770</u>	<u>\$ 1,075,518</u>

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	\$ 23
	Fleet Equipment Fund	102
	Building and Grounds Fund	346
	Total General Fund	471
Major Road Fund	General Fund	802
Local Road Fund	Major Road Fund	112,485
	General Fund	1,786
	Total Local Road Fund	114,271
Fire Fund	Other government funds - Fire Apparatus Fund	740,919
Nonmajor governmental funds	General Fund	26,476
Water and Sewer Fund	General Fund	44,538
Insurance Fund	Building and Grounds Fund	8,882
Total		<u>\$ 936,359</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Road Fund	\$ 1,428,329
	Local Road Fund	1,500,000
	Special Police Protection Fund	2,479,942
	Nonmajor governmental funds	1,512,407
	Building and Grounds Fund	543,469
	Fleet and Equipment Fund	78,228
	Total General Fund	7,542,375
Major Road Fund	Local Road Fund	3,101,829
	Nonmajor governmental funds	330,907
	Fleet and Equipment Fund	3,270
	Total Major Road Fund	3,436,006
Local Road Fund	Major Road Fund	38,849
	Nonmajor governmental funds	714,121
	Fleet and Equipment Fund	9,090
	Total Local Road Fund	762,060
Fire Fund	Nonmajor governmental funds	1,844,819
	Building and Grounds Fund	165,520
	Total Fire Fund	2,010,339
Special Police Protection Fund	Building and Grounds Fund	400,437
Nonmajor governmental funds	General Fund	9,238
	Nonmajor governmental funds	531,360
	Building and Grounds Fund	269,000
	Total nonmajor governmental funds	809,598
	Total	\$ 14,960,815

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the Major and Local Road Funds, Special Police Protection Fund, additional nonmajor governmental funds, Building and Grounds Fund, and Fleet and Equipment Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Major Road Fund to the Local Road Fund represents the sharing of gas and weight tax revenues, in accordance with Public Act 51, plus additional transfers as allowed under Public Act 54 of 1999; the transfer from the Major Road Fund and Local Road Fund to nonmajor governmental funds represents the movement of resources to be used to service debt; the transfer from the Fire Fund represents movement of resources to be used toward the purchase of capital outlay specifically for the fire department.

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds:</u>					
Building Authority Bonds, Series 2002 payable through 2021 with interest at 3.12% to 4.75%	\$ 9,500,000	\$ -	\$ (200,000)	\$ 9,300,000	\$ 300,000
General Obligation Limited Tax Capital Improvement Bond, Series 2002 payable through 2017 with interest at 3.0% to 4.5%	4,600,000	-	(100,000)	4,500,000	150,000
General Obligation Unlimited Tax Bonds, OPC, Series 2001 payable through 2021 with interest at 3.5% to 5.0%	9,770,000	-	(250,000)	9,520,000	300,000
Michigan Transportation Fund Bond, MTF-2001 Series payable through 2016 with interest at 4.25% to 4.6%	2,365,000	-	(65,000)	2,300,000	75,000

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>General Obligation Bonds (Continued):</u>					
Refunding Bond, payable through 2010 with interest at 3.9% to 4.9%	\$ 3,320,000	\$ -	\$ (25,000)	\$ 3,295,000	\$ 30,000
Refunding Bond, MTF, payable through 2005 with interest at 3.9% to 4.5%	1,315,000	-	(405,000)	910,000	440,000
Refunding Bond, payable through 2008 with interest at 2.0% to 3.5%	7,270,000	-	(1,175,000)	6,095,000	1,200,000
<u>County Contractual Obligations:</u>					
Ireland Drain, payable through 2010 with interest at 7.42%	1,069,816	-	(121,570)	948,246	121,570
Crake Drain, payable through 2011 with interest at 7.17%	1,165,450	-	(1,165,450)	-	-
Crake Drain Refunding, payable through 2011 with interest at 1.50% to 3.55%	-	1,152,003	-	1,152,003	116,545
Lueders Drain, payable through 2011 with interest at 4.25% to 5%	2,899,690	-	(262,770)	2,636,920	304,260
Lueders Drain #2, payable through 2011 with interest at 4% to 6%	975,000	-	(75,000)	900,000	100,000
McIntyre Drain, payable through 2013 with interest at 2.75% to 5.20%	824,426	-	(54,303)	770,123	59,240
Hampton Drain, payable through 2013 with interest at 2.75% to 5.2%	586,746	-	(38,546)	548,200	42,828
Bishop Drain, payable through 2013 with interest at 2.8% to 5.3%	1,075,000	-	(75,000)	1,000,000	75,000
Chester Drain, payable through 2014 with interest at 5.5% to 6.13%	1,900,000	-	(1,775,000)	125,000	125,000
Chester Drain Refunding, payable through 2013 with interest at 1.25% to 2.75%	-	1,645,000	-	1,645,000	45,000
Robert Huber Drain, payable through 2014 with interest at 5.4% to 7.4%	1,180,000	-	(55,000)	1,125,000	75,000
Wolf Drain, payable through 2013 with interest at 4% to 4.7%	3,751,655	-	(260,594)	3,491,061	274,073
Capital Projects Lease - Oakland County Building Authority, Building Authority Bonds, Series 2002A payable through 2022 with interest at 3.0% to 4.75%	5,200,000	-	(175,000)	5,025,000	175,000

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Special Assessment Bonds:</u>					
Public Improvement Special Assessment Bonds - Roads - Series 1989, payable through 2004 with interest at 6% to 6.75%	\$ 200,000	\$ -	\$ (100,000)	\$ 100,000	\$ 100,000
Public Improvement City Share Bonds, 1994 Series payable through 2009 with interest at 4.75% to 6.15%	350,000	-	(50,000)	300,000	50,000
Public Improvement Special Assessment Bonds, 1994 Series payable through 2009 with interest at 4.75% to 6.15%	745,000	-	(100,000)	645,000	100,000
Public Improvement City Share Bonds, 1995 Series payable through 2010 with interest at 4.25% to 5.5%	325,000	-	(25,000)	300,000	25,000
Public Improvement Special Assessment Bonds, 1995 Series payable through 2010 with interest at 4.25% to 5.5%	880,000	-	(105,000)	775,000	105,000
Public Improvement Special Assessment Bonds, 2001 Series payable through 2016 with interest at 3.0% to 4.7%	1,150,000	-	(25,000)	1,125,000	50,000
Public Improvement City Share Bonds, 2001 Series payable through 2016 with interest at 2.6% to 4.7%	1,275,000	-	(75,000)	1,200,000	75,000
Total bond obligations	63,692,783	2,797,003	(6,758,233)	59,731,553	4,513,516
Tax Tribunal	400,000	-	-	400,000	-
Compensated absences	455,994	446,922	-	902,916	736,546
Total other long-term obligations	855,994	446,922	-	1,302,916	736,546
Total governmental activities	<u>\$ 64,548,777</u>	<u>\$ 3,243,925</u>	<u>\$ (6,758,233)</u>	<u>\$ 61,034,469</u>	<u>\$ 5,250,062</u>



# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
<u>County Contractual Obligations:</u>					
Paint Creek Interceptor, payable through 2003 with interest at 6% to 7%	\$ 806	\$ -	\$ (806)	\$ -	\$ -
Oakland County Water Supply and Sewage Disposal System, Extension #2 Series A, payable through 2003 with interest at 6.4% to 6.6%	1,300,000	-	(1,300,000)	-	-
Oakland County Water Supply and Sewage Disposal System, Extension #2 Series B, payable through 2003 with interest at 5.25% to 6.4%	1,000,000	-	(1,000,000)	-	-
Total business-type activities	<u>\$ 2,300,806</u>	<u>\$ -</u>	<u>\$ (2,300,806)</u>	<u>\$ -</u>	<u>\$ -</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2004	\$ 4,513,515	\$ 2,472,733	\$ 6,986,248
2005	4,678,024	2,310,114	6,988,138
2006	4,311,060	2,137,545	6,448,605
2007	4,566,018	1,977,316	6,543,334
2008	4,739,708	1,801,412	6,541,120
2009-2013	19,528,228	6,042,184	25,570,412
2014-2018	11,250,000	2,781,581	14,031,581
2019-2023	6,145,000	514,876	6,659,876
Total	<u>\$ 59,731,553</u>	<u>\$ 20,037,761</u>	<u>\$ 79,769,314</u>

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### Note 7 - Long-term Debt (Continued)

**Advance and Current Refundings** - During the year, the City issued \$1,645,000 in general obligation bonds with an average interest rate of 2.40 percent. The proceeds of these bonds were used to advance refund \$1,650,000 of outstanding Chester Drain bonds with an average interest rate of 6.06 percent. The net proceeds of \$1,620,944 (after payment of \$37,679 in underwriting fees, insurance, and other issuance costs plus call premium and related interest payments) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the long-term obligations for the City. The advance refunding reduced total debt service payments over the next 10 years by approximately \$450,000, which represents an economic gain of approximately \$380,000.

During the year, the City, along with Oakland County and the State of Michigan, issued \$1,285,000 in general obligation bonds with an average interest rate of 2.83 percent. The City's portion of the issued debt was 89.65 percent, or \$1,152,003. The proceeds of these bonds were used to advance refund \$1,200,000 of outstanding Crake Drain bonds with an average interest rate of 6.28 percent. The net proceeds of \$1,250,038 (after payment of \$34,962 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the long-term obligations for the City. The advance refunding reduced total debt service payments over the next 11 years by approximately \$145,000, which represents an economic gain of approximately \$133,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 2003, \$8,846,600 of bonds outstanding are considered defeased.

# City of Rochester Hills, Michigan

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## Notes to Financial Statements December 31, 2003

### **Note 7 - Long-term Debt (Continued)**

**No Commitment Debt** - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation bonds, under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

### **Note 8 - Restricted Assets**

Assets held at the County represent the City's pro rata share of monies received by the County in excess of the financing requirements of the sewer and drain systems in the amount of \$1,174,359 and \$177,356, respectively, and for the City's unspent portion of bond proceeds held for the construction of a sheriff substation in the amount of \$837,339. The County holds these monies to apply against future payment obligations of the City for future water and sewer system expansion and facility construction, as well as for future drain system projects. Oakland County has invested these monies and allocated interest earned as an increase to the amount due the City.

The restricted assets with OPC represent proceeds from the sale of fixed assets previously acquired with CDBG funds restricted to be spent in accordance with related program requirements.

### **Note 9 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League risk pool program for workers' compensation claims and the Michigan Municipal League Risk Management Authority risk pool for claims relating to general liability, motor vehicles, and comprehensive property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# City of Rochester Hills, Michigan

## Notes to Financial Statements December 31, 2003

### Note 9 - Risk Management (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are reported in the Insurance (Internal Service) Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2003	2002
Estimated liability - Beginning of year	\$ 450,501	\$ 280,418
Estimated claims incurred, including changes in estimates	(13,939)	400,701
Claim payments	(167,889)	(230,618)
Estimated liability - End of year	<u>\$ 268,673</u>	<u>\$ 450,501</u>
Estimated liability for claims reported	\$ 90,673	\$ 272,501
Estimated liability for claims incurred but not reported	<u>178,000</u>	<u>178,000</u>
Total estimated liability	<u>\$ 268,673</u>	<u>\$ 450,501</u>

### **Note 10 - Defined Contribution Pension Plan**

The Rochester Hills Group Pension Plan, which is administered by the City, provides pension benefits for substantially all of its full-time employees, City Council members, and paid-on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees over 18 years of age are eligible to participate after a six-month probationary period. As established by the pension contract, the City contributes 12 percent of employees' gross earnings and employees can match those contributions. In accordance with these requirements, the City contributed \$1,802,337 during the current year and employees contributed \$24,617. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of continuous service.

### **Note 11 - Other Postemployment Benefits**

The City has established a Retiree Health Benefit Program, which is composed of a health savings plan and a supplemental benefit plan. All active full-time employees who have completed their six-month probationary period are eligible for the health savings plan. The supplemental benefit plan is available only to those employees with 10 years of credited service as of March 21, 2001. The City contributes to the health savings plan on a monthly basis a minimum of 3 percent of the compensation of all eligible employees. Employees must contribute the monetary equivalent of up to 16 hours of unused annual leave time over the maximum 40-hour accrual, to the health savings plan annually. Voluntary contributions are not permitted. Benefits paid out depend solely on amounts contributed to the plan plus investment earnings. During the year, the City contributed, from various funds, \$469,665 to the health savings plan.

Expenditures for postemployment health care costs for employees participating in the supplemental benefit plan are paid as the applicable costs are incurred. During the year, the amounted to approximately \$21,000.

### Note 12 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The City of Rochester Hills has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, pathways, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, drain flowage rights, etc.) not previously accounted for by the City as well as assets totaling approximately \$13,500,000 that would previously have been reported in the General Fixed Assets Account Group.
- The governmental activities column includes bonds and other long-term obligations totaling approximately \$59,400,000 previously reported in the General Long-term Debt Account Group.
- The General Fund fund balance has been increased by \$1,168,613 to account for a reclassification of City tree fund monies from a liability to revenue.
- The Stoney Creek perpetual care fund was previously reported as an Expendable Trust Fund. Under GASB 34, this fund was reclassified to a Special Revenue Fund.
- The Internal Service Funds (Building and Grounds Fund) net assets were increased approximately \$1.1m as of January 1, 2003 in order to adjust accumulated depreciation to actual.

## **Required Supplemental Information**

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# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Property taxes	\$ 8,432,160	\$ 8,368,532	\$ 8,370,089	\$ 1,557
Federal sources	174,110	182,000	221,358	39,358
State sources	6,529,115	5,909,480	5,863,048	(46,432)
Fees and permits	1,545,900	2,006,100	2,018,469	12,369
Fines and forfeitures	92,000	118,000	107,738	(10,262)
Charges for services	5,249,938	4,475,180	4,559,448	84,268
Interest income	247,500	337,500	257,733	(79,767)
Other	-	57,204	40,525	(16,679)
Sales of fixed assets	13,450	13,450	14,986	1,536
Transfer from other funds	250,000	9,332	9,238	(94)
Total revenues	22,534,173	21,476,778	21,462,632	(14,146)
<b>Expenditures</b>				
General government:				
City council	247,851	190,972	170,243	20,729
City administration	3,483,755	3,311,119	3,125,867	185,252
Clerk	1,422,799	1,263,913	1,149,486	114,427
Assessing	2,042,599	1,821,669	1,648,166	173,503
Human resources	695,165	597,477	532,826	64,651
Support services	210,993	146,032	137,517	8,515
Public works:				
City development	535,523	655,155	596,458	58,697
Cemetery	255,572	238,523	243,244	(4,721)
Public safety:				
Building	2,893,582	2,762,538	2,385,663	376,875
Crossing guard	69,151	69,151	55,907	13,244
Community and economic development:				
Planning	1,004,803	959,051	934,243	24,808
Community development block grant	174,110	153,255	165,108	(11,853)
Recreation and culture:				
Parks and recreation	3,033,381	2,995,058	3,051,264	(56,206)
Historic district commission	10,730	5,180	4,136	1,044
Transfers to other funds	7,925,692	7,542,375	7,542,375	-
Total expenditures	24,005,706	22,711,468	21,742,503	968,965
<b>Excess of Expenditures Over Revenue</b>	(1,471,533)	(1,234,690)	(279,871)	954,819
<b>Fund Balance - Beginning of year</b>	10,857,488	10,857,488	10,857,488	-
<b>Fund Balance - End of year</b>	<u>\$ 9,385,955</u>	<u>\$ 9,622,798</u>	<u>\$ 10,577,617</u>	<u>\$ 954,819</u>



# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Road Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
State sources	\$ 2,752,159	\$ 3,011,476	\$ 3,276,864	\$ 265,388
Charges for services	2,400	53,954	55,609	1,655
Interest income	273,000	190,000	165,825	(24,175)
Other	1,044,470	26,200	26,330	130
Bond proceeds	2,200,000	-	-	-
Transfer from other funds	1,463,505	1,464,629	1,467,178	2,549
Total revenues	7,735,534	4,746,259	4,991,806	245,547
<b>Expenditures</b>				
Public works:				
Street maintenance	6,745,530	1,644,379	1,412,458	231,921
Capital outlay	-	2,152,491	1,130,731	1,021,760
Transfers to other funds	4,880,797	3,384,067	3,436,006	(51,939)
Total expenditures	11,626,327	7,180,937	5,979,195	1,201,742
<b>Excess of Expenditures Over Revenue</b>	(3,890,793)	(2,434,678)	(987,389)	1,447,289
<b>Fund Balance - Beginning of year</b>	13,669,385	13,669,385	13,669,385	-
<b>Fund Balance - End of year</b>	<u>\$ 9,778,592</u>	<u>\$ 11,234,707</u>	<u>\$ 12,681,996</u>	<u>\$ 1,447,289</u>

# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Road Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
State sources	\$ 1,027,114	\$ 1,062,089	\$ 1,168,414	\$ 106,325
Other governmental sources	-	40,900	40,807	(93)
Licenses and permits	36,000	36,000	30,041	(5,959)
Charges for services	2,400	74,435	76,628	2,193
Special assessment	34,749	34,749	78,301	43,552
Interest income	98,890	90,890	86,537	(4,353)
Other	300	28,871	18,191	(10,680)
Bond proceeds	2,000,000	-	-	-
Transfer from other funds	6,081,890	4,549,890	4,601,829	51,939
Total revenues	9,281,343	5,917,824	6,100,748	182,924
<b>Expenditures</b>				
Public works:				
Street maintenance	10,041,663	3,436,306	3,398,514	37,792
Capital outlay	-	2,837,356	2,207,307	630,049
Transfers to other funds	758,421	759,511	762,060	(2,549)
Total expenditures	10,800,084	7,033,173	6,367,881	665,292
<b>Excess of Expenditures Over Revenue</b>	(1,518,741)	(1,115,349)	(267,133)	848,216
<b>Fund Balance - Beginning of year</b>	4,112,892	4,112,892	4,112,892	-
<b>Fund Balance - End of year</b>	<u>\$ 2,594,151</u>	<u>\$ 2,997,543</u>	<u>\$ 3,845,759</u>	<u>\$ 848,216</u>

# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,779,603	\$ 5,724,144	\$ 5,725,582	\$ 1,438
State sources	-	6,231	6,231	-
Licenses and permits	-	12,000	11,500	(500)
Fines and forfeitures	6,000	13,000	11,747	(1,253)
Charges for services	119,700	677,700	692,602	14,902
Interest income	87,500	50,000	49,804	(196)
Other	11,000	67,296	67,492	196
Sales of fixed assets	52,000	52,000	47,320	(4,680)
Transfer from other funds	1,050,000	-	-	-
Total revenue	7,105,803	6,602,371	6,612,278	9,907
<b>Expenditures</b>				
Public safety - Fire	6,442,052	5,120,101	5,178,575	(58,474)
Transfers to other funds	1,147,392	2,069,239	2,010,339	58,900
Total expenditures	7,589,444	7,189,340	7,188,914	426
<b>Excess of Expenditures Over Revenue</b>	(483,641)	(586,969)	(576,636)	10,333
<b>Fund Balance - Beginning of year</b>	1,845,998	1,845,998	1,845,998	-
<b>Fund Balance - End of year</b>	<u>\$ 1,362,357</u>	<u>\$ 1,259,029</u>	<u>\$ 1,269,362</u>	<u>\$ 10,333</u>

# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Special Police Protection Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Property taxes	\$ 3,575,922	\$ 3,536,053	\$ 3,536,940	\$ 887
Federal sources	45,000	45,000	41,664	(3,336)
State sources	25,000	30,000	27,964	(2,036)
Other governmental sources	209,723	171,880	164,458	(7,422)
Fines and forfeitures	277,000	387,000	428,295	41,295
Charges for services	89,250	112,900	55,439	(57,461)
Interest income	43,750	40,000	37,157	(2,843)
Other	-	60	61	1
Sales of fixed assets	-	-	3,010	3,010
Transfer from other funds	2,566,700	2,479,942	2,479,942	-
Total revenues	6,832,345	6,802,835	6,774,930	(27,905)
<b>Expenditures</b>				
Public safety - Police	6,832,345	6,402,398	6,372,470	29,928
Transfers to other funds	-	400,437	400,437	-
Total expenditures	6,832,345	6,802,835	6,772,907	29,928
<b>Excess of Revenue Over Expenditures</b>	-	-	2,023	2,023
<b>Fund Balance - Beginning of year</b>	1,105,733	1,105,733	1,105,733	-
<b>Fund Balance - End of year</b>	<u>\$ 1,105,733</u>	<u>\$ 1,105,733</u>	<u>\$ 1,107,756</u>	<u>\$ 2,023</u>

# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Capital Project Funds - OPC Building Construction Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 8,750	\$ 82,750	\$ 57,543	\$ (25,207)
<b>Expenditures</b> - Capital outlay and construction	8,750	6,367,799	6,240,114	127,685
<b>Excess of Expenditures Over Revenue</b>	-	(6,285,049)	(6,182,571)	102,478
<b>Fund Balance</b> - Beginning of year	6,344,674	6,344,674	6,344,674	-
<b>Fund Balance</b> - End of year	<u>\$ 6,344,674</u>	<u>\$ 59,625</u>	<u>\$ 162,103</u>	<u>\$ 102,478</u>

# City of Rochester Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Capital Project Funds - Municipal Building Construction Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 8,750	\$ 75,000	\$ 74,232	\$ (768)
<b>Expenditures</b> - Capital outlay and construction	8,750	8,529,546	6,803,543	1,726,003
<b>Excess of Expenditures Over Revenue</b>	-	(8,454,546)	(6,729,311)	1,725,235
<b>Fund Balance</b> - Beginning of year	8,529,546	8,529,546	8,529,546	-
<b>Fund Balance</b> - End of year	<u>\$ 8,529,546</u>	<u>\$ 75,000</u>	<u>\$ 1,800,235</u>	<u>\$ 1,725,235</u>

# City of Rochester Hills, Michigan

## Note to Required Supplemental Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City funds except that operating transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as an “other financing source”. All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in July, each department director submits to the mayor a proposed operating budget for the next fiscal year.
2. The mayor prepares a comprehensive budget, which is presented to the City Council at the first meeting in August.
3. Public hearings are conducted to obtain residents’ comments.
4. Prior to November 1, the budget is legally adopted by the City Council.
5. Supplemental appropriations to the City’s budget require the approval of the City Council.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City had the following expenditure budget variances:

	<u>Budget</u>	<u>Actual</u>
Solid Waste Management Fund	\$ 41,667	\$ 49,082
Older Persons' Millage Fund	780,336	780,358
Local Road SAD 2001 Construction	214,606	220,656

## **Other Supplemental Information**

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# City of Rochester Hills, Michigan

## Other Supplemental Information Combining Balance Sheet - All Fund Types Nonmajor Governmental Funds December 31, 2003

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 6,966,209	\$ 5,540,720	\$ 10,929,698	\$ 23,436,627
Receivables:				
Property tax	1,723,690	2,200,263	-	3,923,953
Accounts	-	9,385	-	9,385
Accrued interest	11,156	7,053	4,397	22,606
Restricted assets - Assets held at County	177,356	-	-	177,356
Due from other funds	26,476	-	-	26,476
Long-term receivables - SAD	-	707,515	-	707,515
Total assets	<u>\$ 8,904,887</u>	<u>\$ 8,464,936</u>	<u>\$ 10,934,095</u>	<u>\$ 28,303,918</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 18,182	\$ -	\$ 31,268	\$ 49,450
Accrued wages	14,255	-	951	15,206
Retainage payable	-	-	19,500	19,500
Deposits and escrows	1,600	-	-	1,600
Deferred revenue	3,126,123	4,718,014	-	7,844,137
Other liabilities	1,083	-	72	1,155
Due to other funds	-	-	740,919	740,919
Total liabilities	3,161,243	4,718,014	792,710	8,671,967
<b>Fund Balances</b>				
Reserved	177,356	-	-	177,356
Unreserved - Designated for subsequent year's budget	72,625	322,120	-	394,745
Unreserved/Undesignated	5,493,663	3,424,802	10,141,385	19,059,850
Total fund balances	5,743,644	3,746,922	10,141,385	19,631,951
Total liabilities and fund balances	<u>\$ 8,904,887</u>	<u>\$ 8,464,936</u>	<u>\$ 10,934,095</u>	<u>\$ 28,303,918</u>

# City of Rochester Hills, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - All Fund Types Nonmajor Governmental Funds Year Ended December 31, 2003

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 2,711,861	\$ 4,117,324	\$ -	\$ 6,829,185
Charges for services	150,805	-	5,814	156,619
Interest income	69,954	117,630	99,503	287,087
Special assessments	-	218,825	-	218,825
Other	1,332,661	144,000	66,410	1,543,071
Total revenue	4,265,281	4,597,779	171,727	9,034,787
<b>Expenditures</b>				
Public works	866,514	-	47,141	913,655
Parks and recreation	1,247,712	-	-	1,247,712
Capital outlay	1,415,150	-	2,306,192	3,721,342
Debt service:				
Principal retirement	-	3,857,433	-	3,857,433
Interest and fiscal charges	-	2,553,757	-	2,553,757
Paying agent and other	-	70,169	-	70,169
Total expenditures	3,529,376	6,481,359	2,353,333	12,364,068
<b>Excess of Revenue Over (Under)</b>				
Expenditures	735,905	(1,883,580)	(2,181,606)	(3,329,281)
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	2,810,626	-	2,810,626
Payment to refund bond escrow agent	-	(2,741,603)	-	(2,741,603)
Transfers in	-	1,976,353	2,957,261	4,933,614
Transfers out	(421,821)	(137,777)	(250,000)	(809,598)
Total other financing sources (uses)	(421,821)	1,907,599	2,707,261	4,193,039
<b>Net Change in Fund Balances</b>	314,084	24,019	525,655	863,758
<b>Fund Balances - Beginning of year</b>	5,429,560	3,722,903	9,615,730	18,768,193
<b>Fund Balances - End of year</b>	<u>\$ 5,743,644</u>	<u>\$ 3,746,922</u>	<u>\$ 10,141,385</u>	<u>\$ 19,631,951</u>

## **Nonmajor Special Revenue Funds**

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Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes or to the acquisition of furniture, fixtures, machinery, equipment, or other relatively minor or comparatively short-lived fixed assets.

**R.A.R.A. Millage Fund** - This fund accounts for the special millage for Rochester-Avon Recreation Authority (R.A.R.A.) activities.

**Bike Path Fund** - This fund accounts for the special millage used primarily to maintain existing bike pathways.

**Solid Waste Management Fund** - This fund accounts for the drop-off recycling.

**Public Improvement Fund** - This fund accounts for the special millage for drainage improvement.

**Older Persons' Millage Fund** - This fund accounts for the special millage for the Older Persons' Commission activities.

**Stoney Creek Perpetual Care Fund** - This fund accounts for monies collected from sales of cemetery lots and spaces. A portion of this money is then deposited in this fund until such time as the cemetery is full. The remaining funds will then be used for ongoing cemetery maintenance.

**Street Lighting Fund** - This fund originally accounted for funds pertaining to the special lighting districts. Those activities are now accounted for in the General Fund.

# City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund	Bike Path Fund	Solid Waste Management Fund	Public Improvement Fund
<b>Assets</b>				
Cash and investments	\$ 218,909	\$ 453,787	\$ 128,526	\$ 4,836,907
Receivables:				
Property tax	269,055	318,217	-	687,269
Accrued interest		507	-	6,757
Restricted assets - Assets held at County	-	-	-	177,356
Due from other funds	-	-	-	26,476
Total assets	<u>\$ 487,964</u>	<u>\$ 772,511</u>	<u>\$ 128,526</u>	<u>\$ 5,734,765</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 545	\$ 10,692	\$ 6,945
Accrued wages	-	2,665	-	11,590
Deposits and escrows	-	1,600	-	-
Deferred revenue	487,964	577,126	-	1,246,446
Other liabilities	-	203	-	880
Total liabilities	487,964	582,139	10,692	1,265,861
<b>Fund Balances</b>				
Reserved	-	-	-	177,356
Unreserved - Designated for subsequent year's budget	-	-	72,625	-
Unreserved	-	190,372	45,209	4,291,548
Total fund balances	-	190,372	117,834	4,468,904
Total liabilities and fund balances	<u>\$ 487,964</u>	<u>\$ 772,511</u>	<u>\$ 128,526</u>	<u>\$ 5,734,765</u>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds  
December 31, 2003**

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Street Lighting Fund	Total Nonmajor Special Revenue Funds
\$ 365,438	\$ 962,642	\$ -	\$ 6,966,209
449,149	-	-	1,723,690
-	3,892	-	11,156
-	-	-	177,356
-	-	-	26,476
<u>\$ 814,587</u>	<u>\$ 966,534</u>	<u>\$ -</u>	<u>\$ 8,904,887</u>
\$ -	\$ -	\$ -	\$ 18,182
-	-	-	14,255
-	-	-	1,600
814,587	-	-	3,126,123
-	-	-	1,083
814,587	-	-	3,161,243
-	-	-	177,356
-	-	-	72,625
-	966,534	-	5,493,663
-	966,534	-	5,743,644
<u>\$ 814,587</u>	<u>\$ 966,534</u>	<u>\$ -</u>	<u>\$ 8,904,887</u>

# City of Rochester Hills, Michigan

	R.A.R.A.		Solid Waste	Public
	Millage Fund	Bike Path Fund	Management Fund	Improvement Fund
<b>Revenue</b>				
Property taxes	\$ 462,719	\$ 544,515	\$ -	\$ 931,676
Charges for services	-	-	-	116,754
Interest income	-	4,380	1,278	53,359
Other	-	108	-	1,332,553
Total revenue	462,719	549,003	1,278	2,434,342
<b>Expenditures</b>				
Public works	-	138,426	49,082	679,006
Parks and recreation	467,354	-	-	-
Capital outlay	-	-	-	1,415,150
Total expenditures	467,354	138,426	49,082	2,094,156
<b>Excess of Revenue Over (Under) Expenditures</b>	(4,635)	410,577	(47,804)	340,186
<b>Other Financing Uses - Transfers out</b>	-	(398,839)	-	-
<b>Net Change in Fund Balances</b>	(4,635)	11,738	(47,804)	340,186
<b>Fund Balances - Beginning of year</b>	4,635	178,634	165,638	4,128,718
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ 190,372</u>	<u>\$ 117,834</u>	<u>\$ 4,468,904</u>

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Nonmajor Governmental Funds  
Special Revenue Funds  
Year Ended December 31, 2003**

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Street Lighting Fund	Nonmajor Special Revenue Funds
\$ 772,951	\$ -	\$ -	\$ 2,711,861
-	34,051	-	150,805
-	10,937	-	69,954
-	-	-	1,332,661
772,951	44,988	-	4,265,281
-	-	-	866,514
780,358	-	-	1,247,712
-	-	-	1,415,150
780,358	-	-	3,529,376
(7,407)	44,988	-	735,905
-	(19,000)	(3,982)	(421,821)
(7,407)	25,988	(3,982)	314,084
7,407	940,546	3,982	5,429,560
<u>\$ -</u>	<u>\$ 966,534</u>	<u>\$ -</u>	<u>\$ 5,743,644</u>

# City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Bike Path Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ 462,788	\$ 462,719	\$ (69)	\$ 544,378	\$ 544,515	\$ 137
Charges for services	-	-	-	-	-	-
Interest income	-	-	-	4,700	4,380	(320)
Other	-	-	-	-	108	108
Total revenue	462,788	462,719	(69)	549,078	549,003	(75)
<b>Expenditures</b>						
Current:						
Public works	-	-	-	150,239	138,426	11,813
Parks and recreation	467,423	467,354	69	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	398,839	398,839	-
Total expenditures	467,423	467,354	69	549,078	537,265	11,813
<b>Excess of Revenue Over (Under)</b>						
Expenditures	(4,635)	(4,635)	-	-	11,738	11,738
<b>Fund Balances - Beginning of year</b>	4,635	4,635	-	178,634	178,634	-
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,634</u>	<u>\$ 190,372</u>	<u>\$ 11,738</u>



**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances, Amended Budget and Actual**  
**Nonmajor Governmental Budgeted Funds**  
**Year Ended December 31, 2003**

Solid Waste Management Fund			Public Improvement Fund		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 931,427	\$ 931,676	\$ 249
-	-	-	117,500	116,754	(746)
1,500	1,278	(222)	52,500	53,359	859
-	-	-	1,332,554	1,332,553	(1)
1,500	1,278	(222)	2,433,981	2,434,342	361
41,667	49,082	(7,415)	1,112,968	679,006	433,962
-	-	-	-	-	-
-	-	-	1,423,377	1,415,150	8,227
-	-	-	-	-	-
41,667	49,082	(7,415)	2,536,345	2,094,156	442,189
(40,167)	(47,804)	(7,637)	(102,364)	340,186	442,550
165,638	165,638	-	4,128,718	4,128,718	-
<b>\$ 125,471</b>	<b>\$ 117,834</b>	<b>\$ (7,637)</b>	<b>\$ 4,026,354</b>	<b>\$ 4,468,904</b>	<b>\$ 442,550</b>

(Continued on next page)

# City of Rochester Hills, Michigan

	Older Persons' Millage Fund			Stoney Creek Perpetual Care Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ 772,929	\$ 772,951	\$ 22	\$ -	\$ -	\$ -
Charges for services	-	-	-	33,000	34,051	1,051
Interest income	-	-	-	11,000	10,937	(63)
Other	-	-	-	-	-	-
Total revenue	772,929	772,951	22	44,000	44,988	988
<b>Expenditures</b>						
Current:						
Public works	-	-	-	-	-	-
Parks and recreation	780,336	780,358	(22)	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	19,000	19,000	-
Total expenditures	780,336	780,358	(22)	19,000	19,000	-
<b>Excess of Revenue Over (Under)</b>						
Expenditures	(7,407)	(7,407)	-	25,000	25,988	988
<b>Fund Balances - Beginning of year</b>	7,407	7,407	-	940,546	940,546	-
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 965,546</u>	<u>\$ 966,534</u>	<u>\$ 988</u>

**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances, Amended Budget and Actual**  
**Nonmajor Governmental Budgeted Funds (Continued)**  
**Year Ended December 31, 2003**

Special Street Lighting			Totals		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,711,522	\$ 2,711,861	\$ 339
-	-	-	150,500	150,805	305
-	-	-	69,700	69,954	254
-	-	-	1,332,554	1,332,661	107
-	-	-	4,264,276	4,265,281	1,005
-	-	-	1,304,874	866,514	438,360
-	-	-	1,247,759	1,247,712	47
-	-	-	1,423,377	1,415,150	8,227
3,982	3,982	-	421,821	421,821	-
3,982	3,982	-	4,397,831	3,951,197	446,634
(3,982)	(3,982)	-	(133,555)	314,084	447,639
3,982	3,982	-	5,429,560	5,429,560	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,296,005</u>	<u>\$ 5,743,644</u>	<u>\$ 447,639</u>

# Nonmajor Debt Service Funds

---

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Road Improvement 2001 Fund** - This fund accounts for payment of debt created for improvement to roads using Act 175 bonds. Revenue is generated from tax levies and expenditures are made for principal and interest.

**Drain Fund** - This fund accounts for payment of debt created for drain construction and maintenance. Revenue is generated from tax levies and expenditures are made for principal and interest.

**Local Road Improvement 1987, 1988, 1989, 1994, 1995, 2001, and 2002 Funds** - These funds account for payment of debt created for the improvement of local roads using Act 175 bonds. Revenue is generated from special assessment collections, and funds received under Act 51 are transferred to these funds from the Local Road Special Revenue Fund for the City's share. Expenditures are made for principal and interest.

**OPC Building Bond 2001 Series Fund** - This fund accounts for payment of debt created from the construction of a senior citizens building. Revenue is generated from tax levies and expenditures are made for principal and interest.

**Refunding General Obligation Bond Series 1998 Fund** - This fund accounts for payment of debt created for the refunding of the Park and Museum, Park and Recreation, and the Library Building bonds' called portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

**Refunding Michigan Transportation Bond Series 1998 Fund** - This fund accounts for payment of debt created for the refunding of the 1987 Series, 1988 Series Act 175, and the 1990 Series Michigan Transportation (Local Road Improvement 1987 Fund, Local Road Improvement 1988 Fund, and Major Road Improvement 1990 Fund) called bonds. Revenue for the 1987 and 1988 Series Act 175 bonds is generated from special assessment collections, and funds received under Act 21 are transferred to this fund from the Local Road and Major Road Special Revenue Funds for the City's portion. Expenditures are made for principal and interest.

**Refunding Bond Series 2002 Fund** - This fund account for payment of debt created for refunding of Series 1989, 1990A, 1990B, and 1993 bonds (Park and Museum Bonds, Parks and Recreation Bonds, and Library Building Bonds) callable portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

**Municipal Building Bond Series 2002 Fund** - This fund accounts for payment of debt created from the construction of the municipal building addition. Revenue is generated from tax levies and expenditures are made for principal and interest.

# City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Road Improvement 2001 Fund	Drain Fund	Local Road Improvement 1987 Fund
<b>Assets</b>				
Cash and investments	\$ 52,659	\$ 634,609	\$ 1,207,146	\$ -
Receivables:				
Property tax	-	-	984,918	-
Accounts	-	2,224	-	-
Accrued interest	-	-	-	-
Long-term receivables - SAD	-	469,677	-	-
Total assets	<u>\$ 52,659</u>	<u>\$ 1,106,510</u>	<u>\$ 2,192,064</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b> - Deferred revenue	\$ -	\$ 462,394	\$ 1,801,619	\$ -
<b>Fund Balances</b>				
Unreserved - Designated for subsequent year's budget	-	41,897	-	-
Unreserved	52,659	602,219	390,445	-
Total fund balances	52,659	644,116	390,445	-
Total liabilities and fund balances	<u>\$ 52,659</u>	<u>\$ 1,106,510</u>	<u>\$ 2,192,064</u>	<u>\$ -</u>

**Debt Service Funds  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003**

Local Road Improvement 1988 Fund	Local Road Improvement 1989 Fund	Local Road Improvement 1994 Fund	Local Road Improvement 1995 Fund	OPC Building Bond 2001 Series Fund	Refunding General Obligation Bond Series 1998 Fund	Refunding Michigan Transportation Bond Series 1998 Fund
\$ 54,596	\$ 22,340	\$ 891,385	\$ 757,086	\$ 456,058	\$ 254,372	\$ 33,486
-	-	-	-	365,038	99,161	-
1,064	2,045	1,154	2,898	-	-	-
-	-	3,891	3,162	-	-	-
-	13,029	93,553	131,256	-	-	-
<b><u>\$ 55,660</u></b>	<b><u>\$ 37,414</u></b>	<b><u>\$ 989,983</u></b>	<b><u>\$ 894,402</u></b>	<b><u>\$ 821,096</u></b>	<b><u>\$ 353,533</u></b>	<b><u>\$ 33,486</u></b>
\$ -	\$ 13,030	\$ 91,470	\$ 126,381	\$ 667,732	\$ 181,386	\$ -
-	23,998	103,099	113,406	39,720	-	-
55,660	386	795,414	654,615	113,644	172,147	33,486
55,660	24,384	898,513	768,021	153,364	172,147	33,486
<b><u>\$ 55,660</u></b>	<b><u>\$ 37,414</u></b>	<b><u>\$ 989,983</u></b>	<b><u>\$ 894,402</u></b>	<b><u>\$ 821,096</u></b>	<b><u>\$ 353,533</u></b>	<b><u>\$ 33,486</u></b>

(Continued on next page)

# City of Rochester Hills, Michigan

## Debt Service Funds Combining Balance Sheet Nonmajor Governmental Funds (Continued) December 31, 2003

	Refunding Bond Series 2002 Fund	Municipal Building Bond Series 2002 Fund	Local Road Improvement 2002 Fund	Total Nonmajor Debt Service Funds
<b>Assets</b>				
Cash and investments	\$ 1,138,031	\$ 34,355	\$ 4,597	\$ 5,540,720
Receivables:				
Property tax	751,146	-	-	2,200,263
Accounts	-	-	-	9,385
Accrued interest	-	-	-	7,053
Long-term receivables - SAD	-	-	-	707,515
Total assets	<u>\$ 1,889,177</u>	<u>\$ 34,355</u>	<u>\$ 4,597</u>	<u>\$ 8,464,936</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b> - Deferred revenue	\$ 1,374,002	\$ -	\$ -	\$ 4,718,014
<b>Fund Balances</b>				
Unreserved - Designated for subsequent year's budget	-	-	-	322,120
Unreserved	515,175	34,355	4,597	3,424,802
Total fund balances	<u>515,175</u>	<u>34,355</u>	<u>4,597</u>	<u>3,746,922</u>
Total liabilities and fund balances	<u>\$ 1,889,177</u>	<u>\$ 34,355</u>	<u>\$ 4,597</u>	<u>\$ 8,464,936</u>

# City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Road Improvement 2001 Fund	Drain Fund	Local Road Improvement 1987 Fund
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ 1,928,716	\$ -
Investment earnings	446	37,672	8,310	61
Special assessments	-	106,304	-	295
Other	-	144,000	-	-
Total revenue	446	287,976	1,937,026	356
<b>Expenditures</b>				
Principal retirement	65,000	100,000	1,157,433	-
Interest and fiscal charges	98,513	102,800	775,703	-
Miscellaneous	-	-	69,584	-
Total expenditures	163,513	202,800	2,002,720	-
<b>Excess of Revenue Over (Under)</b>				
Expenditures	(163,067)	85,176	(65,694)	356
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	-	2,810,626	-
Payment to refund bond escrow agent	-	-	(2,741,603)	-
Transfers in	163,400	128,300	-	-
Transfers out	-	-	-	(5,256)
Total other financing sources (uses)	163,400	128,300	69,023	(5,256)
<b>Net Change in Fund Balances</b>	333	213,476	3,329	(4,900)
<b>Fund Balances - Beginning of year</b>	52,326	430,640	387,116	4,900
<b>Fund Balances - End of year</b>	<u>\$ 52,659</u>	<u>\$ 644,116</u>	<u>\$ 390,445</u>	<u>\$ -</u>



**Debt Service Funds**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2003**

Local Road Improvement 1988 Fund	Local Road Improvement 1989 Fund	Local Road Improvement 1994 Fund	Local Road Improvement 1995 Fund	OPC Building Bond 2001 Series Fund	Refunding General Obligation Bond Series 1998 Fund	Refunding Michigan Transportation Bond Series 1998 Fund
\$ -	\$ -	\$ -	\$ -	\$ 629,122	\$ 88,322	\$ -
2,489	3,249	19,913	21,334	3,541	2,365	282
15,463	15,367	35,721	45,675	-	-	-
-	-	-	-	-	-	-
17,952	18,616	55,634	67,009	632,663	90,687	282
-	100,000	150,000	130,000	250,000	25,000	405,000
-	12,800	56,743	62,870	418,650	160,583	58,427
-	-	-	-	78	52	-
-	112,800	206,743	192,870	668,728	185,635	463,427
17,952	(94,184)	(151,109)	(125,861)	(36,065)	(94,948)	(463,145)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
114,898	94,368	67,875	41,888	-	-	463,428
(132,521)	-	-	-	-	-	-
(17,623)	94,368	67,875	41,888	-	-	463,428
329	184	(83,234)	(83,973)	(36,065)	(94,948)	283
55,331	24,200	981,747	851,994	189,429	267,095	33,203
<b>\$ 55,660</b>	<b>\$ 24,384</b>	<b>\$ 898,513</b>	<b>\$ 768,021</b>	<b>\$ 153,364</b>	<b>\$ 172,147</b>	<b>\$ 33,486</b>

(Continued on next page)

# City of Rochester Hills, Michigan

## Debt Service Funds

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued) Year Ended December 31, 2003

	Refunding Bond Series 2002	Municipal Building Bond Series 2002 Fund	Local Road Improvement 2002 Fund	Total Nonmajor Debt Service Funds
<b>Revenue</b>				
Property taxes	\$ 1,471,164	\$ -	\$ -	\$ 4,117,324
Investment earnings	17,640	291	37	117,630
Special assessments	-	-	-	218,825
Other	-	-	-	144,000
Total revenue	1,488,804	291	37	4,597,779
<b>Expenditures</b>				
Principal retirement	1,175,000	200,000	100,000	3,857,433
Interest and fiscal charges	204,526	408,099	194,043	2,553,757
Miscellaneous	455	-	-	70,169
Total expenditures	1,379,981	608,099	294,043	6,481,359
<b>Excess of Revenue Over (Under)</b>				
Expenditures	108,823	(607,808)	(294,006)	(1,883,580)
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	-	-	2,810,626
Payment to refund bond escrow agent	-	-	-	(2,741,603)
Transfers in	-	608,096	294,100	1,976,353
Transfers out	-	-	-	(137,777)
Total other financing sources (uses)	-	608,096	294,100	1,907,599
<b>Net Change in Fund Balances</b>	108,823	288	94	24,019
<b>Fund Balances - Beginning of year</b>	406,352	34,067	4,503	3,722,903
<b>Fund Balances - End of year</b>	<u>\$ 515,175</u>	<u>\$ 34,355</u>	<u>\$ 4,597</u>	<u>\$ 3,746,922</u>

# City of Rochester Hills, Michigan

	Road Improvement 2001			Local Road Improvement 2001		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	113	446	333	49,983	37,672	(12,311)
Special assessments	-	-	-	81,538	106,304	24,766
Bond proceeds	-	-	-	-	-	-
Transfers in	163,400	163,400	-	128,300	128,300	-
Other	-	-	-	144,000	144,000	-
Total revenue	163,513	163,846	333	403,821	416,276	12,455
<b>Expenditures</b>						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	65,000	65,000	-	100,000	100,000	-
Interest and fiscal charges	98,513	98,513	-	102,800	102,800	-
Miscellaneous	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total expenditures	163,513	163,513	-	202,800	202,800	-
<b>Excess of Revenue Over (Under) Expenditures</b>	-	333	333	201,021	213,476	12,455
<b>Fund Balances - Beginning of year</b>	52,326	52,326	-	430,640	430,640	-
<b>Fund Balances - End of year</b>	<u>\$ 52,326</u>	<u>\$ 52,659</u>	<u>\$ 333</u>	<u>\$ 631,661</u>	<u>\$ 644,116</u>	<u>\$ 12,455</u>

**Debt Service Funds**

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances, Amended Budget and Actual  
Nonmajor Governmental Budgeted Funds  
Year Ended December 31, 2003**

Drain Fund			Local Road Improvement 1987		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,928,257	\$ 1,928,716	\$ 459	\$ -	\$ -	\$ -
9,000	8,310	(690)	26	61	35
-	-	-	295	295	-
2,810,626	2,810,626	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,747,883	4,747,652	(231)	321	356	35
2,741,603	2,741,603	-	-	-	-
1,157,433	1,157,433	-	-	-	-
775,704	775,703	1	-	-	-
71,023	69,584	1,439	-	-	-
-	-	-	5,350	5,256	94
4,745,763	4,744,323	1,440	5,350	5,256	94
2,120	3,329	1,209	(5,029)	(4,900)	129
387,116	387,116	-	4,900	4,900	-
<b>\$ 389,236</b>	<b>\$ 390,445</b>	<b>\$ 1,209</b>	<b>\$ (129)</b>	<b>\$ -</b>	<b>\$ 129</b>

(Continued on next page)

# City of Rochester Hills, Michigan

	Local Road Improvement 1988			Local Road Improvement 1989		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	1,301	2,489	1,188	2,544	3,249	705
Special assessments	16,322	15,463	(859)	15,888	15,367	(521)
Bond proceeds	-	-	-	-	-	-
Transfers in	114,898	114,898	-	94,368	94,368	-
Other	-	-	-	-	-	-
Total revenue	132,521	132,850	329	112,800	112,984	184
<b>Expenditures</b>						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	-	-	-	100,000	100,000	-
Interest and fiscal charges	-	-	-	12,800	12,800	-
Miscellaneous	-	-	-	-	-	-
Transfers out	132,521	132,521	-	-	-	-
Total expenditures	132,521	132,521	-	112,800	112,800	-
<b>Excess of Revenue Over (Under) Expenditures</b>	-	329	329	-	184	184
<b>Fund Balances - Beginning of year</b>	55,331	55,331	-	24,200	24,200	-
<b>Fund Balances - End of year</b>	<u>\$ 55,331</u>	<u>\$ 55,660</u>	<u>\$ 329</u>	<u>\$ 24,200</u>	<u>\$ 24,384</u>	<u>\$ 184</u>

**Debt Service Funds**

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances, Amended Budget and Actual  
Nonmajor Governmental Budgeted Funds (Continued)  
Year Ended December 31, 2003**

Local Road Improvement 1994			Local Road Improvement 1995		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,798	19,913	115	21,665	21,334	(331)
31,758	35,721	3,963	40,918	45,675	4,757
-	-	-	-	-	-
67,875	67,875	-	41,888	41,888	-
-	-	-	-	-	-
119,431	123,509	4,078	104,471	108,897	4,426
-	-	-	-	-	-
150,000	150,000	-	130,000	130,000	-
56,743	56,743	-	62,870	62,870	-
-	-	-	-	-	-
-	-	-	-	-	-
206,743	206,743	-	192,870	192,870	-
(87,312)	(83,234)	4,078	(88,399)	(83,973)	4,426
981,747	981,747	-	851,994	851,994	-
<b>\$ 894,435</b>	<b>\$ 898,513</b>	<b>\$ 4,078</b>	<b>\$ 763,595</b>	<b>\$ 768,021</b>	<b>\$ 4,426</b>

(Continued on next page)

# City of Rochester Hills, Michigan

	OPC Building Bond 2001 Series			Refunding General Obligation Bond Series 1998		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ 628,970	\$ 629,122	\$ 152	\$ 88,297	\$ 88,322	\$ 25
Investment earnings	4,000	3,541	(459)	2,500	2,365	(135)
Special assessments	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	632,970	632,663	(307)	90,797	90,687	(110)
<b>Expenditures</b>						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	250,000	250,000	-	22,285	25,000	(2,715)
Interest and fiscal charges	418,650	418,650	-	160,583	160,583	-
Miscellaneous	100	78	22	2,815	52	2,763
Transfers out	-	-	-	-	-	-
Total expenditures	668,750	668,728	22	185,683	185,635	48
<b>Excess of Revenue Over (Under) Expenditures</b>	(35,780)	(36,065)	(285)	(94,886)	(94,948)	(62)
<b>Fund Balances - Beginning of year</b>	189,429	189,429	-	267,095	267,095	-
<b>Fund Balances - End of year</b>	<u>\$ 153,649</u>	<u>\$ 153,364</u>	<u>\$ (285)</u>	<u>\$ 172,209</u>	<u>\$ 172,147</u>	<u>\$ (62)</u>

**Debt Service Funds**

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances, Amended Budget and Actual  
Nonmajor Governmental Budgeted Funds (Continued)  
Year Ended December 31, 2003**

Refunding Michigan Transportation Bond			Refunding Bond Series 2002		
Series 1998					
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,470,796	\$ 1,471,164	\$ 368
-	282	282	20,000	17,640	(2,360)
-	-	-	-	-	-
-	-	-	-	-	-
463,428	463,428	-	-	-	-
-	-	-	-	-	-
463,428	463,710	282	1,490,796	1,488,804	(1,992)
-	-	-	-	-	-
405,000	405,000	-	1,175,000	1,175,000	-
58,428	58,427	1	204,675	204,526	149
-	-	-	500	455	45
-	-	-	-	-	-
463,428	463,427	1	1,380,175	1,379,981	194
-	283	283	110,621	108,823	(1,798)
33,203	33,203	-	406,352	406,352	-
<b>\$ 33,203</b>	<b>\$ 33,486</b>	<b>\$ 283</b>	<b>\$ 516,973</b>	<b>\$ 515,175</b>	<b>\$ (1,798)</b>

(Continued on next page)



# City of Rochester Hills, Michigan

	Municipal Building Bond Series 2002			Local Road Improvement 2002		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	300	291	(9)	-	37	37
Special assessments	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Transfers in	608,096	608,096	-	294,100	294,100	-
Other	-	-	-	-	-	-
Total revenue	608,396	608,387	(9)	294,100	294,137	37
<b>Expenditures</b>						
Payment to refund bond escrow agent	-	-	-	-	-	-
Principal retirement	200,000	200,000	-	100,000	100,000	-
Interest and fiscal charges	408,100	408,099	1	194,100	194,043	57
Miscellaneous	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total expenditures	608,100	608,099	1	294,100	294,043	57
<b>Excess of Revenue Over (Under) Expenditures</b>	296	288	(8)	-	94	94
<b>Fund Balances - Beginning of year</b>	34,067	34,067	-	4,503	4,503	-
<b>Fund Balances - End of year</b>	<b>\$ 34,363</b>	<b>\$ 34,355</b>	<b>\$ (8)</b>	<b>\$ 4,503</b>	<b>\$ 4,597</b>	<b>\$ 94</b>

**Debt Service Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances, Amended Budget and Actual**  
**Nonmajor Governmental Budgeted Funds (Continued)**  
**Year Ended December 31, 2003**

Total		
Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,116,320	\$ 4,117,324	\$ 1,004
131,230	117,630	(13,600)
186,719	218,825	32,106
2,810,626	2,810,626	-
1,976,353	1,976,353	-
144,000	144,000	-
9,365,248	9,384,758	19,510
2,741,603	2,741,603	-
3,854,718	3,857,433	(2,715)
2,553,966	2,553,757	209
74,438	70,169	4,269
137,871	137,777	94
9,362,596	9,360,739	1,857
2,652	24,019	21,367
3,722,903	3,722,903	-
<b>\$ 3,725,555</b>	<b>\$ 3,746,922</b>	<b>\$ 21,367</b>

## **Nonmajor Capital Projects Funds**

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Capital Projects Funds account for the purchase or construction of major capital facilities that are not financed by Proprietary Funds.

**Capital Improvement Fund** - This fund accounts for the capital purchases and construction by the City. Revenue is transferred from other City funds, or generated via grants or bond proceeds. Expenditures incurred for the purchases or development are recorded in this fund.

**Pedestrian Pathway Construction Fund** - This fund accounts for monies received and expended in connection with the Series 1982 General Obligation Bond issuance for the purpose of constructing pedestrian pathways.

**Road Improvement Construction 2001** - This fund accounts for monies received and expended for the purpose of constructing and improving roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of roads.

**Local Road SAD Construction 2001** - This fund accounts for monies received and expended for the purpose of constructing local roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of local roads.

**Road Improvement Construction 2002** - This fund accounts for monies received and expended for the purpose of constructing and improving roads. Revenue was generated from bond proceeds. Expenditures are for development and construction of roads.

**Fire Apparatus Fund** - This fund accounts for the purchase and replacement of various major fire department capital apparatuses.

# City of Rochester Hills, Michigan

	Capital Improvement Fund	Pedestrian Pathway Construction Fund	Road Improvement 2001 Construction Fund	Local Road SAD 2001 Construction Fund
<b>Assets</b>				
Cash and investments	\$ 1,050,562	\$ 1,811,791	\$ 1,121,791	\$ 105,597
Receivables - Accrued interest	-	4,397	-	-
Total assets	<u>\$ 1,050,562</u>	<u>\$ 1,816,188</u>	<u>\$ 1,121,791</u>	<u>\$ 105,597</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 251	\$ -	\$ 9,070
Accrued wages	-	951	-	-
Retainage payable	-	-	-	2,000
Other liabilities	-	72	-	-
Due to other funds	-	-	-	-
Total liabilities	-	1,274	-	11,070
<b>Fund Balances - Unreserved and undesignated</b>	<u>1,050,562</u>	<u>1,814,914</u>	<u>1,121,791</u>	<u>94,527</u>
Total liabilities and fund balances	<u>\$ 1,050,562</u>	<u>\$ 1,816,188</u>	<u>\$ 1,121,791</u>	<u>\$ 105,597</u>

**Capital Projects Funds  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003**

Road Improvement 2002 Construction Fund	Fire Apparatus Fund	Total Nonmajor Capital Projects Funds
\$ 2,238,617	\$ 4,601,340	\$ 10,929,698
-	-	4,397
<b><u>\$ 2,238,617</u></b>	<b><u>\$ 4,601,340</u></b>	<b><u>\$ 10,934,095</u></b>
\$ 21,947	\$ -	\$ 31,268
-	-	951
17,500	-	19,500
-	-	72
-	740,919	740,919
39,447	740,919	792,710
2,199,170	3,860,421	10,141,385
<b><u>\$ 2,238,617</u></b>	<b><u>\$ 4,601,340</u></b>	<b><u>\$ 10,934,095</u></b>

# City of Rochester Hills, Michigan

	Capital Improvement Fund	Pedestrian Pathway Construction Fund	Road Improvement 2001 Construction Fund	Local Road SAD 2001 Construction Fund
<b>Revenue</b>				
Charge for services	\$ -	\$ 5,814	\$ -	\$ -
Investment earnings	7,124	17,546	11,357	2,126
Other	-	27,510	-	-
Total revenue	7,124	50,870	11,357	2,126
<b>Expenditures</b>				
Public works	-	47,141	-	-
Capital outlay	-	163,032	(1,253)	220,656
Total expenditures	-	210,173	(1,253)	220,656
<b>Excess of Revenue Over (Under) Expenditures</b>	7,124	(159,303)	12,610	(218,530)
<b>Other Financing Sources (Uses)</b>				
Transfers in	713,603	398,839	-	-
Transfers out	(250,000)	-	-	-
Total other financing sources (uses)	463,603	398,839	-	-
<b>Net Change in Fund Balances</b>	470,727	239,536	12,610	(218,530)
<b>Fund Balances - Beginning of year</b>	579,835	1,575,378	1,109,181	313,057
<b>Fund Balances - End of year</b>	<b>\$ 1,050,562</b>	<b>\$ 1,814,914</b>	<b>\$ 1,121,791</b>	<b>\$ 94,527</b>

**Capital Projects Funds**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2003**

Road Improvement 2002 Construction Fund	Fire Apparatus Fund	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 5,814
25,378	35,972	99,503
-	38,900	66,410
25,378	74,872	171,727
-	-	47,141
559,719	1,364,038	2,306,192
559,719	1,364,038	2,353,333
(534,341)	(1,289,166)	(2,181,606)
-	1,844,819	2,957,261
-	-	(250,000)
-	1,844,819	2,707,261
(534,341)	555,653	525,655
2,733,511	3,304,768	9,615,730
<b>\$ 2,199,170</b>	<b>\$ 3,860,421</b>	<b>\$ 10,141,385</b>

# City of Rochester Hills, Michigan

	Capital Improvement Fund			Pedestrian Pathway Construction		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenue</b>						
Charge for services	\$ -	\$ -	\$ -	\$ 2,600	\$ 5,814	\$ 3,214
Investment earnings	7,000	7,124	124	17,625	17,546	(79)
Transfers in	713,603	713,603	-	398,839	398,839	-
Other	-	-	-	35,000	27,510	(7,490)
Total revenue	720,603	720,727	124	454,064	449,709	(4,355)
<b>Expenditures</b>						
Public works	-	-	-	47,446	47,141	305
Capital outlay	-	-	-	198,720	163,032	35,688
Transfers out	250,000	250,000	-	-	-	-
Total expenditures	250,000	250,000	-	246,166	210,173	35,993
<b>Excess of Revenue Over (Under)</b>						
Expenditures	470,603	470,727	124	207,898	239,536	31,638
<b>Fund Balances - Beginning of year</b>	579,835	579,835	-	1,575,378	1,575,378	-
<b>Fund Balances - End of year</b>	<u>\$ 1,050,438</u>	<u>\$ 1,050,562</u>	<u>\$ 124</u>	<u>\$ 1,783,276</u>	<u>\$ 1,814,914</u>	<u>\$ 31,638</u>



**Capital Projects Funds**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances, Amended Budget and Actual**  
**Nonmajor Governmental Budgeted Funds**  
**Year Ended December 31, 2003**

Road Improvement 2001 Construction			Local Road SAD 2001 Construction		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,000	11,357	357	2,400	2,126	(274)
-	-	-	-	-	-
-	-	-	-	-	-
11,000	11,357	357	2,400	2,126	(274)
-	-	-	-	-	-
5,370	(1,253)	6,623	214,606	220,656	(6,050)
-	-	-	-	-	-
5,370	(1,253)	6,623	214,606	220,656	(6,050)
5,630	12,610	6,980	(212,206)	(218,530)	(6,324)
1,109,181	1,109,181	-	313,057	313,057	-
<u>\$ 1,114,811</u>	<u>\$ 1,121,791</u>	<u>\$ 6,980</u>	<u>\$ 100,851</u>	<u>\$ 94,527</u>	<u>\$ (6,324)</u>

(Continued on next page)

# City of Rochester Hills, Michigan

	Road Improvement 2002 Construction			Fire Apparatus Fund		
	Amended		Variance	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenue</b>						
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	25,000	25,378	378	36,000	35,972	(28)
Transfers in	-	-	-	1,903,719	1,844,819	(58,900)
Other	-	-	-	-	38,900	38,900
Total revenue	25,000	25,378	378	1,939,719	1,919,691	(20,028)
<b>Expenditures</b>						
Public works	-	-	-	-	-	-
Capital outlay	2,670,454	559,719	2,110,735	1,364,038	1,364,038	-
Transfers out	-	-	-	-	-	-
Total expenditures	2,670,454	559,719	2,110,735	1,364,038	1,364,038	-
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	(2,645,454)	(534,341)	2,111,113	575,681	555,653	(20,028)
<b>Fund Balances - Beginning of year</b>	2,733,511	2,733,511	-	3,304,768	3,304,768	-
<b>Fund Balances - End of year</b>	<u>\$ 88,057</u>	<u>\$ 2,199,170</u>	<u>\$ 2,111,113</u>	<u>\$ 3,880,449</u>	<u>\$ 3,860,421</u>	<u>\$ (20,028)</u>

**Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances, Amended Budget and Actual**  
**Nonmajor Governmental Budgeted Funds (Continued)**  
**Year Ended December 31, 2003**

Total		
Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,600	\$ 5,814	\$ 3,214
99,025	99,503	478
3,016,161	2,957,261	(58,900)
35,000	66,410	31,410
3,152,786	3,128,988	(23,798)
47,446	47,141	305
4,453,188	2,306,192	2,146,996
250,000	250,000	-
4,750,634	2,603,333	2,147,301
(1,597,848)	525,655	2,123,503
9,615,730	9,615,730	-
<b>\$ 8,017,882</b>	<b>\$ 10,141,385</b>	<b>\$ 2,123,503</b>

## Internal Service Funds

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Internal Service Funds account for the financing of goods or services provided by one City department or agency to other departments or agencies primarily on a cost-reimbursed basis.

**Building and Grounds Fund** - This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the Water and Sewer building.

**Management Information Systems Fund** - This fund accounts for the costs of data processing services provided to various City departments. The actual cost of materials and services is reimbursed to this fund by the user departments.

**Fleet Equipment Fund** - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments.

**Insurance Fund** - This fund accounts for the City's self-insured premium payments for general liability, fleet, and property insurance. Recorded in this fund are the reserves and the estimated IBNR liability.

# City of Rochester Hills, Michigan

## Internal Service Funds Combining Statement of Net Assets December 31, 2003

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Totals
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 3,177,570	\$ 2,997,552	\$ 3,448,272	\$ 436,546	\$ 10,059,940
Accrued interest receivable	3,274	2,930	2,853	-	9,057
Due from other governmental sources	144,836	-	-	-	144,836
Due from other funds	-	-	-	8,882	8,882
Other	-	-	-	70,932	70,932
Total current assets	3,325,680	3,000,482	3,451,125	516,360	10,293,647
Restricted assets - Assets held at County	837,339	-	-	-	837,339
Property, plant, and equipment:					
Land	17,432,366	-	-	-	17,432,366
Land improvements	2,403,881	-	-	-	2,403,881
Building	27,449,035	-	-	-	27,449,035
Furniture	1,636,982	2,475,967	-	-	4,112,949
Machinery and equipment	435,490	-	1,958,436	-	2,393,926
Vehicles	-	-	4,978,224	-	4,978,224
Total property, plant, and equipment	49,357,754	2,475,967	6,936,660	-	58,770,381
Less accumulated depreciation	(6,140,090)	(1,827,474)	(3,785,682)	-	(11,753,246)
Net property, plant, and equipment	43,217,664	648,493	3,150,978	-	47,017,135
Total assets	47,380,683	3,648,975	6,602,103	516,360	58,148,121
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	292,675	61,437	16,561	8,249	378,922
Retainage payable	411,566	-	-	-	411,566
Accrued wages	20,984	21,105	22,533	-	64,622
Accrued vacation	16,349	35,479	21,855	-	73,683
Accrued annual leave	15,382	19,131	12,314	-	46,827
Due to other funds	9,228	-	102	-	9,330
Payable related to capital lease obligations:					
Current portion of capital lease obligations	175,000	-	-	-	175,000
Accrued interest	67,446	-	-	-	67,446
Other liabilities	1,591	1,840	1,695	268,673	273,799
Total current liabilities	1,010,221	138,992	75,060	276,922	1,501,195
Long-term liabilities - Obligations under capital lease - Less current portion	4,850,000	-	-	-	4,850,000
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	39,030,003	648,493	3,150,978	-	42,829,474
Unrestricted	2,490,459	2,861,490	3,376,065	239,438	8,967,452
Total net assets	<u>\$ 41,520,462</u>	<u>\$ 3,509,983</u>	<u>\$ 6,527,043</u>	<u>\$ 239,438</u>	<u>\$ 51,796,926</u>

# City of Rochester Hills, Michigan

## Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Totals
<b>Operating Revenue</b>					
Charges for services	\$ 2,573,081	\$ 1,786,056	\$ 1,963,546	\$ 563,882	\$ 6,886,565
Miscellaneous revenue	3,732	2,865	2,688	-	9,285
Total operating revenue	2,576,813	1,788,921	1,966,234	563,882	6,895,850
<b>Operating Expenses</b>					
Salaries and wages	709,969	749,029	699,133	-	2,158,131
Public utilities	558,665	-	-	-	558,665
Professional services	470,994	236,047	158,076	331,012	1,196,129
Materials and supplies	60,329	211,814	38,813	-	310,956
Repairs and maintenance	79,716	154,988	331,265	-	565,969
Rentals	115,507	45,779	50,620	-	211,906
Miscellaneous expense	1,011	-	-	-	1,011
Depreciation and amortization	686,426	592,935	577,110	-	1,856,471
Total operating expenses	2,682,617	1,990,592	1,855,017	331,012	6,859,238
<b>Operating Income (Loss)</b>	(105,804)	(201,671)	111,217	232,870	36,612
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	31,292	37,555	40,528	5,606	114,981
Interest expense	(232,336)	-	-	-	(232,336)
Gain (loss) on sale of assets	(16,146)	639	43,135	-	27,628
Total nonoperating revenues (expenses)	(217,190)	38,194	83,663	5,606	(89,727)
<b>Income (Loss) - Before transfers</b>	(322,994)	(163,477)	194,880	238,476	(53,115)
<b>Capital Contributions</b>	9,973,469	-	-	-	9,973,469
<b>Transfers to/from Other Funds</b>	1,378,426	-	90,588	-	1,469,014
<b>Net Income (Loss)</b>	11,028,901	(163,477)	285,468	238,476	11,389,368
<b>Net Assets - Beginning of year</b>	30,491,561	3,673,460	6,241,575	962	40,407,558
<b>Net Assets - End of year</b>	<u>\$ 41,520,462</u>	<u>\$ 3,509,983</u>	<u>\$ 6,527,043</u>	<u>\$ 239,438</u>	<u>\$ 51,796,926</u>

# City of Rochester Hills, Michigan

## Internal Service Funds Combining Statement of Cash Flows Year Ended December 31, 2003

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Totals
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 2,428,245	\$ 1,786,056	\$ 1,963,546	\$ 563,882	\$ 6,741,729
Cash payments for goods and services	(727,748)	(552,955)	(565,915)	(565,868)	(2,412,486)
Cash payments to employees	(739,348)	(743,506)	(704,962)	-	(2,187,816)
Other operating revenue	3,732	2,865	2,688	-	9,285
Net cash provided by (used in) operating activities	964,881	492,460	695,357	(1,986)	2,150,712
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating transfers in from other funds	1,378,426	-	90,588	-	1,469,014
Repayments to (borrowings from) other funds	(3,493)	(813)	(22,619)	100,594	73,669
Net cash provided by (used in) noncapital financing activities	1,374,933	(813)	67,969	100,594	1,542,683
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of capital assets	-	639	43,135	-	43,774
Payment for capital acquisitions	(1,020,946)	(177,724)	(851,280)	-	(2,049,950)
Principal payments	(175,000)	-	-	-	(175,000)
Interest paid	(225,437)	-	-	-	(225,437)
Net cash used in capital and related financing activities	(1,421,383)	(177,085)	(808,145)	-	(2,406,613)
<b>Cash Flows from Investing Activities</b>					
Purchase of investment securities	(2,657,949)	(4,534,763)	(5,021,247)	-	(12,213,959)
Proceeds from maturities of investment securities	3,189,637	4,277,940	5,019,075	-	12,486,652
Receipts of interest and dividends	52,883	37,446	42,614	5,606	138,549
Net cash provided by (used in) investing activities	584,571	(219,377)	40,442	5,606	411,242
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,503,002	95,185	(4,377)	104,214	1,698,024
<b>Cash and Cash Equivalents - January 1, 2003</b>	974,568	878,621	1,787,162	332,332	3,972,683
<b>Cash and Cash Equivalents - December 31, 2003</b>	<u>\$ 2,477,570</u>	<u>\$ 973,806</u>	<u>\$ 1,782,785</u>	<u>\$ 436,546</u>	<u>\$ 5,670,707</u>

(Continued on next page)

# City of Rochester Hills, Michigan

## Internal Service Funds Combining Statement of Cash Flows (Continued) Year Ended December 31, 2003

	Building and Grounds Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (105,804)	\$ (201,671)	\$ 111,217	\$ 232,870	\$ 36,612
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	686,426	592,935	577,110	-	1,856,471
Decrease (increase) in other assets	(144,836)	69,233	-	-	(75,603)
Increase (decrease) in accounts payable and other accrued expenses	529,095	31,963	7,030	(234,856)	333,232
Total adjustments	1,070,685	694,131	584,140	(234,856)	2,114,100
Net cash provided by (used in) operating activities	<u>\$ 964,881</u>	<u>\$ 492,460</u>	<u>\$ 695,357</u>	<u>\$ (1,986)</u>	<u>\$ 2,150,712</u>



## **Fiduciary Funds**

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Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. Agency Funds, which are custodial in nature (assets equal liabilities), do not involve measurement of results of operations.

### **Agency Funds**

**Trust and Agency Fund** - This fund accounts for advance tax payments, delinquent taxes, and licensing recorded here until received and/or disbursed.

**Tax Collection Fund** - This fund accounts for the collection and distribution of current City tax levies.

**Payroll Fund** - This fund accounts for monies aggregated for payroll and payroll-related liabilities.

# City of Rochester Hills, Michigan

## Fiduciary Funds Combining Statement of Fiduciary Assets and Liabilities December 31, 2003

	Trust and Agency Fund	Tax Collection Fund	Payroll Fund	Totals
<b>Assets</b>				
Cash and investments	\$ 22,288	\$ 6,085,250	\$ (31,977)	\$ 6,075,561
Other assets	<u>-</u>	<u>-</u>	<u>42,054</u>	<u>42,054</u>
Total assets	<u><b>\$ 22,288</b></u>	<u><b>\$ 6,085,250</b></u>	<u><b>\$ 10,077</b></u>	<u><b>\$ 6,117,615</b></u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 6,082	\$ 6,082
Due to other governmental units	22,288	6,029,810	3,995	6,056,093
Accrued and other liabilities	<u>-</u>	<u>55,440</u>	<u>-</u>	<u>55,440</u>
Total liabilities	<u><b>\$ 22,288</b></u>	<u><b>\$ 6,085,250</b></u>	<u><b>\$ 10,077</b></u>	<u><b>\$ 6,117,615</b></u>

# City of Rochester Hills, Michigan

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

### Year Ended December 31, 2003

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
<b><u>Trust and Agency Fund</u></b>				
<b>Assets - Cash</b>	<b><u>\$ 8,601</u></b>	<b><u>\$ 1,664,910</u></b>	<b><u>\$ 1,651,223</u></b>	<b><u>\$ 22,288</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 1,503	\$ 238,299	\$ 239,802	\$ -
Due to other governmental units	<u>7,098</u>	<u>1,319,213</u>	<u>1,304,023</u>	<u>22,288</u>
Total liabilities	<b><u>\$ 8,601</u></b>	<b><u>\$ 1,557,512</u></b>	<b><u>\$ 1,543,825</u></b>	<b><u>\$ 22,288</u></b>
<b><u>Tax Collection Fund</u></b>				
<b>Assets - Cash</b>	<b><u>\$ 9,461,010</u></b>	<b><u>\$ 13,864,371</u></b>	<b><u>\$ 17,240,131</u></b>	<b><u>\$ 6,085,250</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 358,082	\$ 358,082	\$ -
Due to other governmental units	9,376,806	6,029,808	9,376,804	6,029,810
Other liabilities	<u>84,204</u>	<u>577,536</u>	<u>606,300</u>	<u>55,440</u>
Total liabilities	<b><u>\$ 9,461,010</u></b>	<b><u>\$ 6,965,426</u></b>	<b><u>\$ 10,341,186</u></b>	<b><u>\$ 6,085,250</u></b>
<b><u>Payroll Fund</u></b>				
<b>Assets</b>				
Cash	\$ 42,420	\$ 16,607,714	\$ 16,682,111	\$ (31,977)
Other assets	<u>-</u>	<u>42,054</u>	<u>-</u>	<u>42,054</u>
Total assets	<b><u>\$ 42,420</u></b>	<b><u>\$ 16,649,768</u></b>	<b><u>\$ 16,682,111</u></b>	<b><u>\$ 10,077</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 5,793	\$ 1,397,176	\$ 1,396,887	\$ 6,082
Due to other governmental units	<u>36,627</u>	<u>3,826,130</u>	<u>3,858,762</u>	<u>3,995</u>
Total liabilities	<b><u>\$ 42,420</u></b>	<b><u>\$ 5,223,306</u></b>	<b><u>\$ 5,255,649</u></b>	<b><u>\$ 10,077</u></b>

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
General Obligation Debt					
GOB - Series 2002 - Building Authority					
2004	\$ 300,000	\$ 202,350	\$ 197,659	\$ 400,009	\$ 700,009
2005	300,000	197,662	192,559	390,221	690,221
2006	300,000	192,563	187,159	379,722	679,722
2007	300,000	187,162	181,534	368,696	668,696
2008	300,000	181,538	175,534	357,072	657,072
2009	400,000	175,538	167,334	342,872	742,872
2010	400,000	167,338	158,834	326,172	726,172
2011	400,000	158,838	150,234	309,072	709,072
2012	500,000	150,238	139,923	290,161	790,161
2013	500,000	139,925	129,298	269,223	769,223
2014	500,000	129,300	118,361	247,661	747,661
2015	600,000	118,362	105,161	223,523	823,523
2016	600,000	105,162	91,661	196,823	796,823
2017	700,000	91,662	75,561	167,223	867,223
2018	700,000	75,562	59,375	134,937	834,937
2019	800,000	59,375	40,375	99,750	899,750
2020	800,000	40,375	21,375	61,750	861,750
2021	900,000	21,375	-	21,375	921,375
Total	<u>\$ 9,300,000</u>	<u>\$ 2,394,325</u>	<u>\$ 2,191,937</u>	<u>\$ 4,586,262</u>	<u>\$ 13,886,262</u>
Capital Improvement Bonds - Series 2002					
2004	\$ 150,000	\$ 87,929	\$ 87,931	\$ 175,860	\$ 325,860
2005	175,000	85,679	85,681	171,360	346,360
2006	200,000	83,054	83,056	166,110	366,110
2007	225,000	80,054	80,056	160,110	385,110
2008	250,000	76,539	76,541	153,080	403,080
2009	300,000	72,164	72,166	144,330	444,330
2010	300,000	66,727	66,729	133,456	433,456
2011	350,000	61,102	61,103	122,205	472,205
2012	350,000	54,102	54,103	108,205	458,205
2013	375,000	47,102	47,103	94,205	469,205
2014	400,000	39,602	39,603	79,205	479,205
2015	450,000	31,202	31,203	62,405	512,405
2016	475,000	21,640	21,641	43,281	518,281
2017	500,000	11,250	11,250	22,500	522,500
Total	<u>\$ 4,500,000</u>	<u>\$ 818,146</u>	<u>\$ 818,166</u>	<u>\$ 1,636,312</u>	<u>\$ 6,136,312</u>

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
General Obligation Debt (Continued):					
GOB - Series 2001 - OPC					
2004	\$ 300,000	\$ 207,000	\$ 201,750	\$ 408,750	\$ 708,750
2005	350,000	201,750	195,625	397,375	747,375
2006	350,000	195,625	189,500	385,125	735,125
2007	350,000	189,500	183,375	372,875	722,875
2008	400,000	183,375	175,875	359,250	759,250
2009	400,000	175,875	168,075	343,950	743,950
2010	450,000	168,075	159,075	327,150	777,150
2011	450,000	159,075	150,075	309,150	759,150
2012	500,000	150,075	139,825	289,900	789,900
2013	500,000	139,825	129,200	269,025	769,025
2014	550,000	129,200	117,100	246,300	796,300
2015	650,000	117,100	102,475	219,575	869,575
2016	650,000	102,475	87,525	190,000	840,000
2017	650,000	87,525	72,250	159,775	809,775
2018	700,000	72,250	55,625	127,875	827,875
2019	750,000	55,625	37,250	92,875	842,875
2020	750,000	37,250	19,250	56,500	806,500
2021	770,000	19,250	-	19,250	789,250
Total	\$ 9,520,000	\$ 2,390,850	\$ 2,183,850	\$ 4,574,700	\$ 14,094,700
MTF - 2001 Series					
2004	\$ 75,000	\$ 47,738	\$ 47,737	\$ 95,475	\$ 170,475
2005	100,000	46,144	46,143	92,287	192,287
2006	100,000	44,519	44,519	89,038	189,038
2007	150,000	42,794	42,793	85,587	235,587
2008	150,000	40,094	40,093	80,187	230,187
2009	150,000	37,244	37,244	74,488	224,488
2010	200,000	34,244	34,244	68,488	268,488
2011	200,000	30,244	30,244	60,488	260,488
2012	200,000	26,143	26,144	52,287	252,287
2013	225,000	21,893	21,894	43,787	268,787
2014	250,000	17,000	17,000	34,000	284,000
2015	250,000	11,437	11,438	22,875	272,875
2016	250,000	5,750	5,750	11,500	261,500
Total	\$ 2,300,000	\$ 405,244	\$ 405,243	\$ 810,487	\$ 3,110,487

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
<b>General Obligation Debt (Continued):</b>					
<b>Refunding Bond - 1998 Series</b>					
2004	\$ 30,000	\$ 79,598	\$ 79,597	\$ 159,195	\$ 189,195
2005	30,000	78,938	78,937	157,875	187,875
2006	30,000	78,263	78,262	156,525	186,525
2007	30,000	77,573	77,572	155,145	185,145
2008	290,000	76,868	76,867	153,735	443,735
2009	1,550,000	69,908	69,907	139,815	1,689,815
2010	1,335,000	32,708	32,707	65,415	1,400,415
Total	<b>\$ 3,295,000</b>	<b>\$ 493,856</b>	<b>\$ 493,849</b>	<b>\$ 987,705</b>	<b>\$ 4,282,705</b>
<b>Refunding Bond - MTF1998 Series</b>					
2004	\$ 440,000	\$ 20,255	\$ 20,255	\$ 40,510	\$ 480,510
2005	470,000	10,575	10,575	21,150	491,150
Total	<b>\$ 910,000</b>	<b>\$ 30,830</b>	<b>\$ 30,830</b>	<b>\$ 61,660</b>	<b>\$ 971,660</b>
<b>Refunding Bond - 2002 Series</b>					
2004	\$ 1,200,000	\$ 90,438	\$ 90,437	\$ 180,875	\$ 1,380,875
2005	1,240,000	76,938	76,937	153,875	1,393,875
2006	1,275,000	58,338	58,337	116,675	1,391,675
2007	1,300,000	39,213	39,212	78,425	1,378,425
2008	1,080,000	18,900	18,900	37,800	1,117,800
Total	<b>\$ 6,095,000</b>	<b>\$ 283,827</b>	<b>\$ 283,823</b>	<b>\$ 567,650</b>	<b>\$ 6,662,650</b>
<b>County Contractual Obligations</b>					
<b>Ireland Drain Bond</b>					
2004	\$ 121,570	\$ 22,867	\$ 20,071	\$ 42,938	\$ 164,508
2005	126,433	20,071	17,100	37,171	163,604
2006	131,296	17,100	13,982	31,082	162,378
2007	136,158	13,982	10,714	24,696	160,854
2008	141,021	10,714	7,259	17,973	158,994
2009	141,021	7,259	3,769	11,028	152,049
2010	150,747	3,769	-	3,769	154,516
Total	<b>\$ 948,246</b>	<b>\$ 95,762</b>	<b>\$ 72,895</b>	<b>\$ 168,657</b>	<b>\$ 1,116,903</b>

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
General Obligation Debt (Continued):					
Crake Drain Refunding Bond					
2004	\$ 116,545	\$ 14,194	\$ 13,320	\$ 27,514	\$ 144,059
2005	161,370	13,320	12,109	25,429	186,799
2006	152,405	12,109	10,700	22,809	175,214
2007	147,923	10,700	8,999	19,699	167,622
2008	138,958	8,999	7,157	16,156	155,114
2009	134,475	7,157	5,140	12,297	146,772
2010	152,405	5,140	2,625	7,765	160,170
2011	147,922	2,626	-	2,626	150,548
Total	<u>\$ 1,152,003</u>	<u>\$ 74,245</u>	<u>\$ 60,050</u>	<u>\$ 134,295</u>	<u>\$ 1,286,298</u>
Lueders Drain Bond					
2004	\$ 304,260	\$ 62,667	\$ 55,973	\$ 118,640	\$ 422,900
2005	299,650	55,973	49,156	105,129	404,779
2006	295,040	49,156	42,297	91,453	386,493
2007	331,920	42,297	34,496	76,793	408,713
2008	327,310	34,496	26,723	61,219	388,529
2009	327,310	26,723	18,786	45,509	372,819
2010	368,800	18,786	9,566	28,352	397,152
2011	382,630	9,567	-	9,567	392,197
Total	<u>\$ 2,636,920</u>	<u>\$ 299,665</u>	<u>\$ 236,997</u>	<u>\$ 536,662</u>	<u>\$ 3,173,582</u>
Lueders Drain #2 Bond					
2004	\$ 100,000	\$ -	\$ 41,700	\$ 41,700	\$ 141,700
2005	100,000	-	37,050	37,050	137,050
2006	100,000	-	32,300	32,300	132,300
2007	100,000	-	27,450	27,450	127,450
2008	125,000	-	21,875	21,875	146,875
2009	125,000	-	15,625	15,625	140,625
2010	125,000	-	9,375	9,375	134,375
2011	125,000	-	3,125	3,125	128,125
Total	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 188,500</u>	<u>\$ 188,500</u>	<u>\$ 1,088,500</u>

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	
		Interest Due	Interest Due	Interest Due	Total Due
General Obligation Debt (Continued):					
McIntyre Drain Bond					
2004	\$ 59,240	\$ -	\$ 38,004	\$ 38,004	\$ 97,244
2005	64,177	-	34,948	34,948	99,125
2006	64,177	-	31,723	31,723	95,900
2007	69,113	-	28,340	28,340	97,453
2008	74,050	-	24,671	24,671	98,721
2009	78,987	-	20,731	20,731	99,718
2010	83,923	-	16,536	16,536	100,459
2011	88,860	-	12,065	12,065	100,925
2012	93,797	-	7,316	7,316	101,113
2013	93,799	-	2,439	2,439	96,238
Total	\$ 770,123	\$ -	\$ 216,773	\$ 216,773	\$ 986,896
Hampton Drain Bond					
2004	\$ 42,828	\$ -	\$ 27,039	\$ 27,039	\$ 69,867
2005	42,828	-	24,918	24,918	67,746
2006	47,111	-	22,658	22,658	69,769
2007	51,394	-	20,158	20,158	71,552
2008	51,394	-	17,524	17,524	68,918
2009	55,677	-	14,767	14,767	70,444
2010	59,960	-	11,789	11,789	71,749
2011	64,243	-	8,575	8,575	72,818
2012	64,243	-	5,234	5,234	69,477
2013	68,522	-	1,782	1,782	70,304
Total	\$ 548,200	\$ -	\$ 154,444	\$ 154,444	\$ 702,644
Bishop Drain Bond					
2004	\$ 75,000	\$ -	\$ 48,753	\$ 48,753	\$ 123,753
2005	75,000	-	45,256	45,256	120,256
2006	75,000	-	41,666	41,666	116,666
2007	100,000	-	37,388	37,388	137,388
2008	100,000	-	32,438	32,438	132,438
2009	100,000	-	27,375	27,375	127,375
2010	100,000	-	22,250	22,250	122,250
2011	125,000	-	16,438	16,438	141,438
2012	125,000	-	9,906	9,906	134,906
2013	125,000	-	3,313	3,313	128,313
Total	\$ 1,000,000	\$ -	\$ 284,783	\$ 284,783	\$ 1,284,783
Chester Drain Bond - 2004	\$ 125,000	\$ -	\$ 3,500	\$ 3,500	\$ 128,500

(Continued on next page)



# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	
		Interest Due	Interest Due	Interest Due	Total Due
<b>General Obligation Debt (Continued):</b>					
<b>Chester Drain Refunding Bond</b>					
2004	\$ 45,000	\$ 19,146	\$ 18,865	\$ 38,011	\$ 83,011
2005	185,000	18,865	17,015	35,880	220,880
2006	185,000	17,015	15,165	32,180	217,180
2007	180,000	15,165	13,275	28,440	208,440
2008	175,000	13,275	11,306	24,581	199,581
2009	170,000	11,306	9,181	20,487	190,487
2010	190,000	9,181	6,806	15,987	205,987
2011	185,000	6,806	4,448	11,254	196,254
2012	180,000	4,448	2,063	6,511	186,511
2013	150,000	2,063	-	2,063	152,063
Total	<u>\$ 1,645,000</u>	<u>\$ 117,270</u>	<u>\$ 98,124</u>	<u>\$ 215,394</u>	<u>\$ 1,860,394</u>
<b>Robert Huber Drain Bond</b>					
2004	\$ 75,000	\$ -	\$ 64,725	\$ 64,725	\$ 139,725
2005	75,000	-	60,479	60,479	135,479
2006	75,000	-	56,175	56,175	131,175
2007	100,000	-	51,000	51,000	151,000
2008	100,000	-	45,000	45,000	145,000
2009	100,000	-	39,000	39,000	139,000
2010	100,000	-	33,000	33,000	133,000
2011	125,000	-	26,250	26,250	151,250
2012	125,000	-	18,750	18,750	143,750
2013	125,000	-	11,250	11,250	136,250
2014	125,000	-	3,750	3,750	128,750
Total	<u>\$ 1,125,000</u>	<u>\$ -</u>	<u>\$ 409,379</u>	<u>\$ 409,379</u>	<u>\$ 1,534,379</u>
<b>Wolf Drain Bond</b>					
2004	\$ 274,073	\$ 77,413	\$ 71,795	\$ 149,208	\$ 423,281
2005	278,566	71,795	65,945	137,740	416,306
2006	301,031	65,945	59,548	125,493	426,524
2007	314,510	59,548	52,786	112,334	426,844
2008	336,975	52,786	45,457	98,243	435,218
2009	354,947	45,457	37,648	83,105	438,052
2010	377,412	37,648	29,156	66,804	444,216
2011	395,384	29,156	20,062	49,218	444,602
2012	417,849	20,062	10,347	30,409	448,258
2013	440,314	10,347	-	10,347	450,661
Total	<u>\$ 3,491,061</u>	<u>\$ 470,157</u>	<u>\$ 392,744</u>	<u>\$ 862,901</u>	<u>\$ 4,353,962</u>

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Interest Due	Total Due
		Interest Due	Interest Due		
General Obligation Debt (Continued):					
Oakland County Building					
Authority - 2002A Series					
2004	\$ 175,000	\$ 101,169	\$ 101,168	\$ 202,337	\$ 377,337
2005	200,000	98,544	98,543	197,087	397,087
2006	200,000	95,544	95,543	191,087	391,087
2007	200,000	92,544	92,543	185,087	385,087
2008	225,000	89,294	89,294	178,588	403,588
2009	225,000	85,499	85,499	170,998	395,998
2010	225,000	81,559	81,559	163,118	388,118
2011	225,000	77,397	77,397	154,794	379,794
2012	250,000	73,178	73,178	146,356	396,356
2013	250,000	68,178	68,178	136,356	386,356
2014	275,000	63,178	63,178	126,356	401,356
2015	275,000	57,678	57,678	115,356	390,356
2016	300,000	52,006	52,006	104,012	404,012
2017	300,000	45,631	45,631	91,262	391,262
2018	325,000	39,181	39,181	78,362	403,362
2019	325,000	32,031	32,031	64,062	389,062
2020	350,000	24,719	24,719	49,438	399,438
2021	350,000	16,625	16,625	33,250	383,250
2022	350,000	8,313	8,313	16,626	366,626
Total	\$ 5,025,000	\$ 1,202,268	\$ 1,202,264	\$ 2,404,532	\$ 7,429,532
Special Assessment Bonds					
Public Improvement - Special					
Assessment - 1989 Series - 2004	\$ 100,000	\$ 3,000	\$ 3,000	\$ 6,000	\$ 106,000
Public Improvement - City Share -					
1994 Series:					
2004	\$ 50,000	\$ 7,688	\$ 7,688	\$ 15,376	\$ 65,376
2005	50,000	6,438	6,438	12,876	62,876
2006	50,000	5,150	5,150	10,300	60,300
2007	50,000	3,863	3,863	7,726	57,726
2008	50,000	2,575	2,575	5,150	55,150
2009	50,000	1,288	1,288	2,576	52,576
Total	\$ 300,000	\$ 27,002	\$ 27,002	\$ 54,004	\$ 354,004

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
<b>Special Assessment Bonds (Continued):</b>					
Public Improvement - Special					
Assessment - 1994 Series:					
2004	\$ 100,000	\$ 16,534	\$ 16,534	\$ 33,068	\$ 133,068
2005	100,000	14,034	14,034	28,068	128,068
2006	100,000	11,459	11,459	22,918	122,918
2007	125,000	8,884	8,884	17,768	142,768
2008	120,000	5,665	5,665	11,330	131,330
2009	100,000	2,575	2,575	5,150	105,150
Total	<u>\$ 645,000</u>	<u>\$ 59,151</u>	<u>\$ 59,151</u>	<u>\$ 118,302</u>	<u>\$ 763,302</u>
Public Improvement - City Share -					
1995 Series:					
2004	\$ 25,000	\$ 7,850	\$ 7,850	\$ 15,700	\$ 40,700
2005	25,000	7,244	7,244	14,488	39,488
2006	50,000	6,625	6,625	13,250	63,250
2007	50,000	5,350	5,350	10,700	60,700
2008	50,000	4,050	4,050	8,100	58,100
2009	50,000	2,725	2,725	5,450	55,450
2010	50,000	1,375	1,375	2,750	52,750
Total	<u>\$ 300,000</u>	<u>\$ 35,219</u>	<u>\$ 35,219</u>	<u>\$ 70,438</u>	<u>\$ 370,438</u>
Public Improvement - Special					
Assessment - 1995:					
2004	\$ 105,000	\$ 20,148	\$ 20,148	\$ 40,296	\$ 145,296
2005	105,000	17,601	17,601	35,202	140,202
2006	105,000	15,003	15,003	30,006	135,006
2007	105,000	12,325	12,325	24,650	129,650
2008	105,000	9,595	9,595	19,190	124,190
2009	125,000	6,813	6,813	13,626	138,626
2010	125,000	3,438	3,438	6,876	131,876
Total	<u>\$ 775,000</u>	<u>\$ 84,923</u>	<u>\$ 84,923</u>	<u>\$ 169,846</u>	<u>\$ 944,846</u>

(Continued on next page)

# City of Rochester Hills, Michigan

## General Long-term Debt Account Group Schedule of Bonds and Interest Payable in Future Years (Continued)

Description	Principal Due	Semi-Annual		Total	Total Due
		Interest Due	Interest Due	Interest Due	
<b>Special Assessment Bonds (Continued):</b>					
Public Improvement - Special Assessment - Series 2001:					
2004	\$ 50,000	\$ 24,100	\$ 24,100	\$ 48,200	\$ 98,200
2005	50,000	23,100	23,100	46,200	96,200
2006	50,000	22,100	22,100	44,200	94,200
2007	75,000	21,100	21,100	42,200	117,200
2008	75,000	19,600	19,600	39,200	114,200
2009	75,000	18,100	18,100	36,200	111,200
2010	75,000	16,600	16,600	33,200	108,200
2011	75,000	15,100	15,100	30,200	105,200
2012	100,000	13,562	13,563	27,125	127,125
2013	100,000	11,412	11,413	22,825	122,825
2014	125,000	9,212	9,213	18,425	143,425
2015	125,000	6,400	6,400	12,800	137,800
2016	150,000	3,525	3,525	7,050	157,050
Total	<u>\$ 1,125,000</u>	<u>\$ 203,911</u>	<u>\$ 203,914</u>	<u>\$ 407,825</u>	<u>\$ 1,532,825</u>
Public Improvement - City Share Bonds - Series 2001:					
2004	\$ 75,000	\$ 25,525	\$ 25,525	\$ 51,050	\$ 126,050
2005	75,000	24,025	24,025	48,050	123,050
2006	75,000	22,525	22,525	45,050	120,050
2007	75,000	21,025	21,025	42,050	117,050
2008	75,000	19,525	19,525	39,050	114,050
2009	75,000	18,025	18,025	36,050	111,050
2010	75,000	16,525	16,525	33,050	108,050
2011	100,000	15,025	15,025	30,050	130,050
2012	100,000	12,975	12,975	25,950	125,950
2013	100,000	10,825	10,825	21,650	121,650
2014	125,000	8,625	8,625	17,250	142,250
2015	125,000	5,813	5,813	11,626	136,626
2016	125,000	2,937	2,937	5,874	130,874
Total	<u>\$ 1,200,000</u>	<u>\$ 203,375</u>	<u>\$ 203,375</u>	<u>\$ 406,750</u>	<u>\$ 1,606,750</u>

## **Statistical Section**

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## City of Rochester Hills, Michigan

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	1994	1995	1996	1997
General government	\$ 4,654,062	\$ 3,990,756	\$ 4,717,139	\$ 4,705,396
Public service	355,418	463,638	383,426	455,523
Public safety	7,827,966	7,708,848	8,034,562	9,106,139
Community and economic development	555,806	698,289	397,108	619,115
Streets	4,089,280	3,775,606	5,520,477	6,501,058
Recreation and culture	1,783,512	2,347,965	2,386,923	2,691,500
Capital outlay	2,275,159	2,649,823	1,777,995	1,130,422
Debt:				
Principal	1,883,133	2,061,264	2,395,579	2,593,804
Interest	2,432,815	2,567,516	2,637,372	2,417,111
Miscellaneous	19,474	29,604	5,409	68,873
Total	<b><u>\$ 25,876,625</u></b>	<b><u>\$ 26,293,309</u></b>	<b><u>\$ 28,255,990</u></b>	<b><u>\$ 30,288,941</u></b>

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds

**General Governmental Expenditures by Function  
Primary Government (I)  
Last Ten Fiscal Years**

1998	1999	2000	2001	2002	2003
\$ 5,122,655	\$ 6,118,607	\$ 5,640,034	\$ 6,615,906	\$ 6,858,715	\$ 6,735,682
1,336,203	1,267,814	1,431,959	1,620,826	1,509,771	1,746,720
9,893,780	10,210,766	11,099,114	12,397,928	13,286,384	13,959,215
724,544	841,451	814,015	854,949	1,005,013	1,099,351
4,061,564	4,631,399	5,274,762	4,959,887	5,287,024	4,810,972
2,731,488	3,008,275	3,282,222	3,412,046	4,060,889	4,298,932
1,955,086	6,026,933	3,613,582	9,420,085	15,392,464	20,175,677
2,510,937	2,506,542	2,719,175	2,820,773	3,087,550	3,857,433
2,036,342	2,094,754	1,915,703	1,779,215	2,474,909	2,545,378
150,751	37,618	6,608	5,461	130,700	78,548
<b><u>\$ 30,523,350</u></b>	<b><u>\$ 36,744,159</u></b>	<b><u>\$ 35,797,174</u></b>	<b><u>\$ 43,887,076</u></b>	<b><u>\$ 53,093,419</u></b>	<b><u>\$ 59,307,908</u></b>

# City of Rochester Hills, Michigan

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	1994	1995	1996	1997
Property taxes	\$ 15,070,268	\$ 15,713,518	\$ 15,983,212	\$ 15,646,887
Licenses and permits	1,497,774	1,550,777	1,652,179	1,593,410
Intergovernmental:				
State grants	7,262,860	7,607,548	8,501,736	8,533,737
Federal grants	264,869	179,043	20,719	261,775
Other intergovernmental	145,971	87,709	124,928	241,846
Charges for service	1,268,193	1,434,205	1,474,444	3,097,450
Fines and forfeitures	274,310	328,968	290,007	314,004
Investment earnings	1,747,627	2,762,613	2,891,646	3,072,086
Special assessments	567,063	784,963	709,381	633,881
Miscellaneous	343,908	220,795	724,395	177,739
Total	<u>\$ 28,442,843</u>	<u>\$ 30,670,139</u>	<u>\$ 32,372,647</u>	<u>\$ 33,572,815</u>

(1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds



**General Governmental Revenue by Source  
Primary Government (I)  
Last Ten Fiscal Years**

1998	1999	2000	2001	2002	2003
\$ 16,568,976	\$ 17,463,517	\$ 20,736,441	\$ 21,728,349	\$ 23,569,820	\$ 24,461,796
1,430,486	1,752,161	1,591,165	1,693,613	2,020,444	2,060,010
9,141,722	9,205,660	9,743,709	10,506,937	10,382,568	10,342,521
184,217	200,353	239,943	256,751	206,429	407,022
265,071	119,240	138,018	127,627	269,123	205,265
3,739,172	3,972,388	4,570,828	5,406,447	4,954,583	5,596,345
280,120	315,516	295,575	404,891	475,074	547,780
2,989,428	2,788,903	3,598,435	3,146,429	1,829,692	1,015,918
620,705	503,151	360,395	619,884	405,365	297,126
1,149,133	147,362	1,561,300	394,173	1,224,881	1,501,670
<b><u>\$ 36,369,030</u></b>	<b><u>\$ 36,468,251</u></b>	<b><u>\$ 42,835,809</u></b>	<b><u>\$ 44,285,101</u></b>	<b><u>\$ 45,337,979</u></b>	<b><u>\$ 46,435,453</u></b>

# City of Rochester Hills, Michigan

## General City Tax Levies and Tax Collections Primary Government Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1994	\$ 16,335,840	\$ 15,653,975	95.8	\$ 681,067	\$ 16,335,042	99.9	\$ 81,446	0.4
1995	17,042,116	16,420,741	96.4	612,518	17,033,259	99.9	92,289	0.5
1996	17,535,685	16,988,842	96.9	653,456	17,642,298	100.6	70,771	0.4
1997	17,171,306	16,668,319	97.1	480,165	17,148,484	99.9	96,747	0.6
1998	18,188,720	17,611,336	96.8	600,789	18,212,125	100.1	74,018	0.4
1999	19,455,388	18,866,963	97.0	616,334	19,483,297	100.1	70,565	0.4
2000	22,815,043	22,150,477	97.1	631,682	22,782,159	99.9	96,225	0.4
2001	23,914,509	22,997,740	96.2	772,899	23,770,639	99.4	216,752	0.9
2002	25,845,403	24,839,899	96.1	861,185	25,701,084	99.4	328,003	1.3
2003	27,239,989	26,222,382	96.3	879,231	27,101,613	99.5	448,177	1.6

# City of Rochester Hills, Michigan

## Assessed State Equalized Valuation of Taxable Property Last Ten Fiscal Years

Tax Year	Real Property (1)		Personal Property (1)		Total (1)	
	Taxable Value (2)	State Equalized	Taxable Value (2)	State Equalized	Taxable Value (2)	State Equalized
1994	\$ 1,755,976,700	\$ 1,755,976,700	\$ 136,597,500	\$ 136,597,500	\$ 1,892,574,200	\$ 1,892,574,200
1995	1,820,039,200	1,837,394,250	155,790,030	155,868,500	1,975,829,230	1,993,262,750
1996	1,914,050,022	1,956,220,610	180,568,780	180,648,010	2,094,618,802	2,136,868,620
1997	2,021,948,112	2,114,890,800	198,655,370	198,788,700	2,220,603,482	2,313,679,500
1998	2,156,335,752	2,323,646,250	218,228,160	218,529,700	2,374,563,912	2,542,175,950
1999	2,267,535,234	2,541,786,010	228,085,700	228,610,390	2,495,620,934	2,770,396,400
2000	2,379,079,826	2,738,619,380	227,579,800	228,159,830	2,606,659,626	2,966,779,210
2001	2,530,849,050	2,950,805,550	227,393,630	227,972,560	2,758,242,680	3,178,778,110
2002	2,694,240,380	3,193,091,850	216,081,110	217,082,640	2,910,321,490	3,410,174,490
2003	2,858,868,260	3,436,054,780	205,993,980	205,993,980	3,064,862,240	3,642,048,760

(1) Figures are tax warrant figures and do not reflect amendments by the Rochester Hills Board of Review, the Michigan Tax Tribunal, the State of Michigan Department of Treasury, or the City Assessor.

(2) Figures prior to 1995 are based on assessed value.

# City of Rochester Hills, Michigan

## Property Tax Rates Direct and Overlapping Governments Last Ten Fiscal Years

Tax rates (Per \$1,000 assessed valuation):

### City

Tax Year	General Operating	Special Voted	Debt Service	Total City
1994	2.1953	4.9013	1.9029	8.9995
1995	2.1410	4.9613	1.7682	8.8705
1996	2.1410	4.5228	1.5365	8.2003
1997	1.8303	4.7864	1.5836	8.2003
1998	1.6579	5.0618	1.4806	8.2003
1999	2.6602	5.1755	1.3141	9.1498
2000	2.7267	5.0098	1.4133	9.1498
2001	2.8277	4.9982	1.5422	9.3681
2002	2.9188	5.0136	1.4357	9.3681
2003	3.0850	4.9673	1.3158	9.3681

### County

Tax Year	County Operating	Intermediate School	School Debt	Special Education	Vocation Education	Parks	Total County
1994	4.4805	0.2129	-	1.4906	0.4259	0.4675	7.0774
1995	4.4805	0.2129	-	1.4906	0.4259	0.4675	7.0774
1996	4.3805	0.2129	-	1.4906	0.4259	0.4675	6.9774
1997	4.3505	0.2129	-	1.4906	0.4259	0.4675	6.9474
1998	4.1900	0.2120	-	1.4846	0.4242	0.4664	6.7772
1999	4.1900	0.2099	-	1.4699	0.4200	0.4622	6.7520
2000	4.1900	0.2074	-	1.4527	0.4151	0.4578	6.7230
2001	4.1900	0.2053	-	2.6085	0.6388	0.4538	8.0964
2002	4.1900	0.2035	-	2.5857	0.6332	0.4623	8.0747
2003	4.1900	0.2021	-	2.5682	0.6288	0.4597	8.0488

# City of Rochester Hills, Michigan

Tax rates (per \$1,000 assessed valuation)

## School Districts

		Rochester District			Avondale District			
Tax Year		Operating	Debt Service	Total District	Operating	Extra Voted	Debt Service	Total District
1994	Homestead	-	4.8800	4.8800	-	2.1424	5.6000	7.7424
	Non-homestead	18.0000	4.8800	22.8800	18.0000	-	5.6000	23.6000
1995	Homestead	-	4.8800	4.8800	-	2.8543	5.6000	8.4543
	Non-homestead	18.0000	4.8800	22.8800	18.0000	-	5.6000	23.6000
1996	Homestead	-	4.2500	4.2500	-	2.3214	7.0000	9.3214
	Non-homestead	18.0000	4.2500	22.2500	18.0000	-	7.0000	25.0000
1997	Homestead	-	5.9000	5.9000	-	2.1943	7.0000	9.1943
	Non-homestead	18.0000	5.9000	23.9000	18.0000	-	7.0000	25.0000
1998	Homestead	-	5.6000	5.6000	-	2.0944	7.0000	9.0944
	Non-homestead	18.0000	5.6000	23.6000	18.0000	-	7.0000	25.0000
1999	Homestead	-	5.6000	5.6000	-	1.9225	7.0000	8.9225
	Non-homestead	18.0000	5.6000	23.6000	18.0000	-	7.0000	25.0000
2000	Homestead	-	5.6000	5.6000	-	1.8190	7.0000	8.8190
	Non-homestead	17.6508	5.6000	23.2508	18.0000	-	7.0000	25.0000
2001	Homestead	-	5.2250	5.2250	-	1.7298	7.0000	8.7298
	Non-homestead	17.3013	5.2250	22.5263	18.0000	-	7.0000	25.0000
2002	Homestead	-	5.2250	5.2250	-	1.6793	7.0000	8.6793
	Non-homestead	18.0000	5.2250	23.2250	18.0000	-	7.0000	25.0000
2003	Homestead	-	5.2250	5.2250	-	1.5965	7.6000	9.1965
	Non-homestead	18.0000	5.2250	23.2250	18.0000	-	7.6000	25.6000

**Property Tax Rates  
Direct and Overlapping Governments (Continued)  
Last Ten Fiscal Years**

Community College		State Education Tax	Grand Total	
Voted	Total College	Operating	Rochester School District	Avondale School District
.8522	.8522	6.0000	27.8091	30.6715
.8522	.8522	6.0000	45.8091	46.5291
1.6522	1.6522	6.0000	28.4801	32.0544
1.6522	1.6522	6.0000	46.4801	47.2001
1.6522	1.6522	6.0000	27.0799	32.1513
1.6522	1.6522	6.0000	45.0799	47.8299
1.6522	1.6522	6.0000	28.6999	31.9942
1.6522	1.6522	6.0000	46.6999	47.7999
1.6456	1.6456	6.0000	28.2231	31.7175
1.6456	1.6456	6.0000	46.2231	47.6231
1.6295	1.6295	6.0000	29.1313	32.4538
1.6295	1.6295	6.0000	47.1313	48.5313
1.6109	1.6109	6.0000	29.0837	32.3027
1.6109	1.6109	6.0000	46.7345	48.4837
1.5952	1.5952	6.0000	30.2847	33.7895
1.5952	1.5952	6.0000	47.5860	50.0597
1.6090	1.6090	6.0000	30.2768	33.7311
1.6090	1.6090	6.0000	48.2768	50.0518
1.5983	1.5983	5.0000	29.2402	33.2117
1.5983	1.5983	5.0000	47.2402	49.6152

# City of Rochester Hills, Michigan

## Principal Taxpayers December 31, 2003

Taxpayer	Type of Business	Taxable Value	Percent of Total Taxable Valuation
Detroit Edison	Electric utility	\$ 26,288,650	0.86
Meadowbrook Association	Retail	23,330,630	0.76
New Plan Realty Trust	Retail	20,384,480	0.67
Stuart Frankel	Retail/Apartments/Industrial	16,931,900	0.55
River Oaks North LLC	Apartments	15,700,550	0.51
Fanuc Robotics	Industrial property	15,259,680	0.50
Consumers Power	Gas utility	14,410,180	0.47
First Industrial Realty Trust	Industrial property	14,295,870	0.47
Associates Estates Realty	Apartments	12,826,120	0.42
Winchester Center	Retail	11,839,930	0.39
	Subtotal	171,267,990	5.60
Other		2,893,594,250	94.40
	Total	<u><u>\$ 3,064,862,240</u></u>	<u><u>100.00</u></u>

# City of Rochester Hills, Michigan

## Special Assessment Billings and Collections Last Ten Fiscal Years

Tax Year	Current Assessments Due	Current Assessments Collected	Percent of Current Assessments Collected (1)	Total Outstanding Assessments
1994	\$ 134,851	\$ 554,024	410.84	\$ 2,331,994
1995	180,148	784,963	435.73	3,227,740
1996	115,435	709,381	614.53	2,519,086
1997	151,237	633,881	419.13	2,081,307
1998	224,866	620,705	276.03	1,456,554
1999	134,007	503,150	375.47	1,693,404
2000	125,713	360,395	286.68	1,360,923
2001	143,681	558,777	388.90	1,757,153
2002	121,629	405,364	333.28	1,524,433
2003	106,341	218,825	205.78	1,057,900

(1) Percents in excess of 100 percent represent advance payments on special assessments due over multiple-year periods.



# City of Rochester Hills, Michigan

## Computation of Legal Debt Margin December 31, 2003

State equalized valuation at December 31, 2003: \$3,642,048,760

	Actual Net Debt	Statutory Percent of Taxable Value	Amount	Legal Debt Margin
General Obligation Debt	\$ 48,771,553	10	\$ 364,204,876	\$ 315,433,323
Special Assessment Bonds	<u>2,725,000</u>	12	<u>437,045,851</u>	<u>434,320,851</u>
Total debt subject to statutory limitation	51,496,553		801,250,727	749,754,174
Debt not subject to limitation:				
Michigan Transportation Highway Fund Bonds	3,210,000			
Self-supporting county-issued debt	<u>5,025,000</u>			
Total debt	<u><b>\$ 59,731,553</b></u>			

### Notes:

- (1) Act 279, Public Acts of Michigan, 1909, as amended, and the City Charter of the City of Rochester Hills provide that the net indebtedness of the City shall not exceed 10 percent of all assessed valuation.

Bonds that shall be excluded in this computation of net indebtedness, according to said Act, are as follows:

- Special Assessment Bonds
- Mortgage Bonds
- Motor Vehicle Highway Fund Bonds
- Revenue Bonds
- Bonds issued, or contracts, or assessment obligations incurred, to comply with an order of the Water Resources Commission or a court of competent jurisdiction
- Other obligations incurred for water supply, drainage, sewage, or refuse disposal projects necessary to protect the public health by abating pollution

- (2) The Municipal Finance Act provides that the total debt in Special Assessment Bonds, which would require that the City pledge its full faith and credit, shall not exceed 12 percent of the assessed valuation of taxable property of the City, nor shall such bonds be issued in any calendar year in excess of 3 percent unless voted. The Special Assessment Bond percent limit is in addition to the 10 percent limit as provided by Act 279, Public Acts of Michigan, 1909, as amended, as described in Note 1 above.

# City of Rochester Hills, Michigan

## Ratio of Net Bonded Debt to State Equalized Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population		State Equalized Value	Gross Bonded Debt	Debt Service Monies Available	Self Supporting Revenue Debt	Net Bonded Debt	Ratio of Net Bonded Debt to State Equalized Value	Net Bonded Debt per Capita
1994	64,161 (2)	\$	1,892,574,200	\$ 66,865,535	\$ 3,497,655	\$ 27,047,075	\$ 36,320,805	1.92	566.09
1995	64,161 (2)		1,993,262,750	64,546,642	4,192,818	24,384,446	35,969,378	1.80	560.61
1996	66,365 (3)		2,136,686,620	59,636,225	4,442,518	21,554,609	33,639,098	1.57	506.88
1997	66,365 (3)		2,313,679,500	54,566,298	4,269,269	18,592,595	31,704,434	1.37	477.73
1998	68,501 (4)		2,542,175,950	52,351,586	3,045,819	14,503,372	34,802,395	1.37	508.06
1999	70,400 (5)		2,770,396,400	47,208,244	3,345,215	11,357,953	32,505,076	1.17	461.72
2000	68,825 (1)		2,966,779,210	42,410,019	3,074,808	8,938,914	30,396,297	1.02	441.65
2001	68,825 (1)		3,178,778,110	51,990,208	3,446,405	7,984,876	40,558,927	1.28	589.31
2002	68,825 (1)		3,410,174,490	65,993,589	3,722,903	10,475,807	51,794,879	1.52	752.56
2003	68,825 (1)		3,642,048,760	59,731,553	3,746,923	7,750,000	48,234,630	1.32	700.83

### Footnotes:

- (1) Source: U.S. Bureau of the Census
- (2) Source: Oakland County Planning Division, Estimated Growth Population through 1992
- (3) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1995
- (4) Source: Oakland County Planning Division, Estimated Growth Population through 1996
- (5) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1999

# City of Rochester Hills, Michigan

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total (1) General Expenditures	Ratio of Debt Service to Total General Expenditures
1994	\$ 1,883,133	\$ 2,432,815	\$ 4,315,948	\$ 25,876,625	16.7
1995	2,061,264	2,567,516	4,628,780	26,293,309	17.6
1996	2,395,579	2,637,372	5,032,951	28,255,990	17.8
1997	2,593,804	2,417,111	5,010,915	30,288,941	16.5
1998	2,510,937	2,036,342	4,547,279	30,523,350	14.9
1999	2,506,542	2,094,754	4,601,296	36,744,159	12.5
2000	2,719,175	1,915,703	4,634,878	35,797,174	12.9
2001	2,820,774	1,779,214	4,599,988	43,887,076	10.5
2002	3,087,550	2,474,909	5,562,459	53,093,419	10.5
2003	3,857,433	2,545,378	6,402,811	59,307,908	10.8

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds of the primary government

# City of Rochester Hills, Michigan

## Schedule of Direct and Overlapping Debt December 31, 2003

### Direct Debt

#### General Obligation Bonds:

Unlimited Tax	\$	32,710,000	
Limited Tax		1,720,000	
Special Assessment		2,725,000	
Share of County-issued bonds		19,366,553	
Michigan Transportation Fund Bonds		<u>3,210,000</u>	
Total direct debt	\$		59,731,553
Less:			
Amount available for Debt Service			3,746,923
Self-supporting share of County-issued debt			5,025,000
Self-supporting Transportation Fund Bonds			<u>2,725,000</u>
Net direct debt	\$		48,234,630

### Overlapping Debt

#### City Share as

Percent of			Supported Debt	Net City Share
Gross	Municipality			
60.75	Rochester School District	\$	215,380,000	\$ 130,843,350
49.63	Avondale School District		113,621,809	56,390,504
5.76	Oakland County at Large		74,131,112	4,269,952
5.80	Oakland Community College		12,895,000	747,910
5.78	Oakland Intermediate School District		350,000	<u>20,230</u>
				<u>192,271,946</u>

Net Direct and Overlapping Debt \$ 240,506,576

### Per Capita Debt: Population per Year 2000 Census - 68,825

Net Direct Debt	\$	700.83
Net Direct and Overlapping Debt	\$	3,494.47

### Ratio of 2002 Taxable Value (\$3,064,862,240)

Net Direct Debt	1.57%
Net Direct and Overlapping	7.85%

# City of Rochester Hills, Michigan

## Capital Lease Obligations Coverage Water and Sewer Leases (1) December 31, 2003

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses (3)	Net Revenue Available for Service Debt	Debt Service Requirements through December 31			
				Principal	Interest	Total	Coverage
1994	\$ 12,849,969	\$ 13,216,662	\$ (366,693) (4)	\$ 2,201,617	\$ 1,343,497	\$ 3,545,114	-
1995	12,302,008	12,092,065	209,943	2,357,629	1,209,661	3,567,290	0.06
1996	11,869,523	12,638,174	(768,651) (5)	2,514,837	1,039,353	3,554,190	-
1997	12,311,408	13,235,788	(924,380) (6)	2,622,014	911,099	3,533,113	-
1998	13,865,140	15,509,926	(1,644,786) (7)	2,729,223	751,170	3,480,393	-
1999	12,489,318	16,232,415	(3,743,097) (8)	2,830,419	586,386	3,416,805	-
2000	10,716,670	15,821,937	(5,105,267) (9)	2,084,039	480,081	2,564,120	-
2001	15,075,311	16,766,992	(1,691,681)	2,209,038	313,044	2,522,082	-
2002	18,992,904	19,243,358	(250,454)	2,384,069	172,125	2,556,194	-
2003	19,759,609	19,856,469	(96,860)	2,300,807	34,264	2,335,071	-

(1) Information pertains to Water and Sewer Fund only

(2) Total revenue exclusive of investment income

(3) Total expenses exclusive of interest expense

(4) The excess of direct operating expenditures over gross revenue in 1994 is due primarily to the accrual of expenditures related to the settlement of disputed water billings with the City of Detroit.

(5) The excess of direct operating expenditures over gross revenue in 1996 is due primarily to the decrease in the water and sewer rates.

(6) The excess of direct operating expenditures over gross revenue in 1997 is due primarily to the overhead allocation charges.

(7) The excess of direct operating expenditures over gross revenue in 1998 is due primarily to an increase in water and sewer rates.

(8) The excess of direct operating expenditures over gross revenue in 1999 is due primarily to an increase in water and sewer rates.

(9) The excess of direct operating expenditures over gross revenue in 2000 is due primarily to an increase in water and sewer rates.

# City of Rochester Hills, Michigan

## Demographic Statistics December 31, 2003

Fiscal Year	Population of City	Population of Oakland County	City Housing Profile No. of Units
1970	24,513 (1)	907,871 (1)	6,252 (1)
1980	40,704 (1)	1,011,793 (1)	14,598 (1)
1985	48,574 (2)	1,011,793 (1)	17,185 (2)
1990	61,523 (3)	1,083,592 (4)	23,531 (5)
1991	61,766 (1)	1,083,592 (1)	24,578 (5)
1992	61,766 (1)	1,083,592 (1)	24,974 (5)
1993	61,766 (1)	1,083,592 (1)	25,198 (5)
1994	64,161 (6)	1,118,611 (6)	25,648 (5)
1995	64,161 (6)	1,118,611 (6)	25,914 (5)
1996	66,365 (7)	1,150,872 (7)	26,135 (5)
1997	66,365 (7)	1,150,872 (7)	26,920 (5)
1998	68,501 (8)	1,150,872 (7)	27,270 (5)
1999	70,400 (9)	1,222,358 (9)	27,368 (5)
2000	68,825 (1)	1,194,156 (1)	27,969 (5)
2001	68,825 (1)	1,194,156 (1)	28,191 (5)
2002	68,825 (1)	1,194,156 (1)	28,536 (5)
2003	68,825 (1)	1,194,156 (1)	28,723 (5)

(1) Source: U.S. Bureau of the Census

(2) Source: U.S. Bureau of the Census, special census count, September 25, 1985

(3) Source: U.S. Bureau of the Census, U.S. Census preliminary estimate

(4) Source: Oakland County Planning Division, U.S. Census preliminary estimate

(5) Source: Rochester Hills Assessing Department

(6) Source: Oakland County Planning Division, Estimated Growth Population

(7) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1995

(8) Source: Oakland County Planning Division, Estimated Growth Population through 1996

(9) Source: Oakland County Planning Division, SEMCOG Estimated Growth Population through 1999

# City of Rochester Hills, Michigan

## Demographic Statistics (Continued) December 31, 2003

Fiscal Year	Total Building Permits	Total Construction Valuation	State Equalized Valuation		
			Real	Personal	Total
1991	1,264	\$ 77,380,970	\$ 1,534,393,700	\$ 113,778,700	\$ 1,648,172,400
1992	1,215	68,354,087	1,581,665,800	117,472,200	1,699,138,000
1993	996	56,082,557	1,693,565,100	123,574,100	1,817,139,200
1994	1,245	90,582,961	1,755,976,700	136,597,500	1,892,574,200
1995	1,089	88,904,192	1,837,394,250	155,868,500	1,993,262,750
1996	1,110	104,936,601	1,956,220,610	180,648,010	2,136,868,620
1997	1,048	90,442,390	2,114,890,800	198,788,700	2,313,679,500
1998	990	90,457,005	2,323,646,250	218,529,700	2,542,175,950
1999	958	81,147,080	2,541,786,010	228,610,390	2,770,396,400
2000	842	89,154,870	2,738,619,380	228,159,830	2,966,779,210
2001	759	106,582,700	2,950,805,550	227,972,560	3,178,778,110
2002	886	145,489,900	3,193,091,850	217,082,640	3,410,174,490
2003	1,058	130,369,246	3,436,054,780	205,993,980	3,642,048,760

(1) Source: Rochester Hills Building Department

# City of Rochester Hills, Michigan

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## Miscellaneous Statistics December 31, 2003

Area:	32.2 square miles
Form of Government:	Home rule city (Council-Mayor form)
History of City:	Avon Township (City of Rochester Hills) was first formed April 6, 1835. In 1978, Avon Township became the Charter Township of Avon. The present City Charter as adopted May 22, 1984 became effective November 20, 1984.
Population:	68,825 (Year 2000 Census)
Fiscal Year Begins:	January 1
Number of City Employees (Excluding Firefighters):	233 regular, 69 seasonal, 42 part-time, and 314 election workers
Fire Protection:	5 stations, 37 regular, 60 paid-on-call firefighters
Police Protection:	City contracts police protection from the Oakland County Sheriff's Department. Currently, 58 regular officers are contracted.
Streets:	16.14 miles of state trunk lines, 38.84 miles of County roads, 36.66 miles of major roads, and 204.11 miles of local roads



# City of Rochester Hills, Michigan

## Economic Development Corporation December 31, 2003

The Economic Development Corporation of the City of Rochester Hills (the "Corporation") issues tax-exempt revenue bonds under authority of the Michigan Economic Development Corporation Act. Proceeds of the debt issues are used to purchase or construct facilities, which are leased to industrial and commercial enterprises under contracts that provide sufficient revenue to satisfy principal and interest requirements of the related bond issues. These contracts further provide for the transfer of the related property to the lessee at the time such indebtedness becomes paid in full.

The Corporation's bond issues are payable solely from the net revenues derived from the financed projects and are collateralized by mortgages on the underlying project assets. The leased property and the bond issues are not assets or general obligations of the Corporation and, accordingly, are not recognized in the financial statements of the City.

Revenue bonds issued by the Corporation as of December 31, 2003 are as follows:

Issue	Lessee	Original Issue	Interest Rate
1984 Demand Floating Rate Limited Obligation Revenue Bonds, payable through 2004	BRG Associates	\$ 2,445,000	Variable
1985 Demand Adjustable Rate Limited Obligation Revenue Bonds, payable through 2016	Peachwood Center Associates	9,000,000	Variable
1986 Limited Obligation Economic Development Revenue Bonds, payable through 2007	Bond Street Company	1,250,000	Variable
1986 Limited Obligation Economic Development Revenue Bonds, payable through 2011	KY Development Company	1,420,000	Variable

April 15, 2004

Honorable Mayor and Members  
of the City Council  
City of Rochester Hills  
1000 Rochester Hills Drive  
Rochester Hills, MI 48309-3033

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Rochester Hills for the year ended December 31, 2003. As a result of our audit, and in addition to our financial report, we offer the following comments for the Council's review:

### **NEW FINANCIAL STATEMENT FORMAT**

During the current year, the City, along with many other communities in Michigan, was required to implement a new accounting pronouncement that has changed the format and content of your financial statements. The information that was previously provided in your financial statements has been retained in the new financial statement format. In addition, the following major items have been added:

- *Management Discussion and Analysis:* Management is now required to give an overview of the City's overall financial position and results of operations. This section provides an overview of the City's finances, as well as major projects worked on throughout the year.
- *Government-wide Financial Statements:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the City from a longer term perspective (i.e. are today's taxpayers paying the full cost of today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the City's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view not only the actual revenue and expenditures of the City as compared to the amended budget, but also as compared to the original budget.

While getting used to the new format may take a while, the GASB hopes that the new model will improve comparability of financial statements among communities and will provide a better matching of the current year's revenue sources to the full cost of services provided during that year.

Accumulating the information necessary for the new financial statement format has meant a significant amount of work for the City's accounting department. The City's staff has worked hard, preparing the necessary schedules, as well as assisting and cooperating with the audit work being done on those schedules.

We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

A member of



A worldwide association of independent accounting firms

## STATE SHARED REVENUE

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 27% of the City's total General Fund revenue for the calendar year ended December 31, 2003. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

The following depicts the City's actual and estimated revenue sharing payments over a five year period – from the State's fiscal year ending September 30, 2001 through the fiscal year ending September 30, 2005.

	<u>Actual FY 2001</u>	<u>Actual FY 2002</u>	<u>Actual FY 2003</u>	<u>Estimated FY 2004</u>	<u>Estimated FY 2005</u>
Constitutional	\$ 4,466,205	\$ 4,511,699	\$ 4,588,082	\$ 4,608,460	\$ 4,807,372
Statutory	<u>2,028,562</u>	<u>1,873,564</u>	<u>1,607,879</u>	<u>1,004,647</u>	<u>768,470</u>
Total payments	<u>\$ 6,494,767</u>	<u>\$ 6,385,263</u>	<u>\$ 6,195,961</u>	<u>\$ 5,613,107</u>	<u>\$ 5,575,842</u>
Dollar change		\$ (109,504)	\$ (189,302)	\$ (582,854)	\$ (37,265)
Percentage change		-1.69%	-2.96%	-9.41%	-0.66%

While the City's constitutional revenue sharing payments have been increasing slightly each year, the statutory piece of revenue sharing has dropped approximately \$1,300,000 since 2001. For the State's fiscal year 04/05, the Governor has proposed to hold the line on revenue sharing – meaning that FY 04/05 levels will equal FY 03/04 levels – but only for cities, villages and townships. As you can see, the proposed revenue sharing for Rochester Hills for the State's fiscal year ending September 30, 2005 is \$5,575,842 which represents a reduction of approximately \$37,000 from the estimated amount for the State's fiscal year ending September 30, 2004.

Although sales tax revenue would support an increase to state shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

## **FINANCIAL PLANNING**

The situation in Michigan related to the reduction in state shared revenue is made even more tenuous given other economic factors affecting municipal finance currently and in the near future. With the exception of local governments with a growing tax base and room for more development, there are structural problems with the municipal finance model in the State. Municipalities in Michigan face numerous challenges to their ability to raise revenue and are subject to increasing costs not necessarily under their control. These factors would include the restricted growth of property tax revenue under Proposal A and the Headlee Amendment, decreased investment returns, and increasing healthcare and employee benefit costs. These items have already impacted several municipalities in Michigan where the municipality's growth in expenditures is outpacing the growth in revenues for an extended period of time. While the City of Rochester Hills is currently in very good financial condition, we would encourage the City to continually review its long range financial plans through the use of a five year plan model in order to ensure continued financial viability over the long-run.

## **RETIREE HEALTH CARE FUNDING**

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the City having to have an actuarial valuation (or compute the liability internally using a prescribed formula) to define the liability for its Supplemental Benefit Plan. That liability would need to be disclosed in the financial statements. In addition, the City's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed. Lastly, the City would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30 year period. As you know, to date, the City has been funding its Supplemental Benefit Plan on a pay-as-you-go basis. The City may find that the annual expenditure will significantly increase as a result of the actuarial valuation. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes are anticipated to be effective starting in 2008.

## **CHANGES IN THE SINGLE AUDIT ACT**

The Single Audit Act specifies the requirement for compliance auditing of federal funding received by not-for-profits and state and local governments. In 2003, legislation to amend the Single Audit Act was signed into law. These revised audit requirements are effective for audits of not-for-profit organizations and state and local governments receiving federal awards for years ending **after** December 31, 2003. The law raises the audit threshold from \$300,000 to \$500,000. This means that if a covered entity recognizes less than \$500,000 in federal expenditures in its fiscal year, then a single audit is not required. Prior to this year, the City of Rochester Hills' federal funding, including that received by OPC, has been close to \$500,000. This new legislation may have an impact on the need for future audits under this Act.

## **MUNICIPAL FINANCE ACT – REMINDER**

The Municipal Finance Act was amended during 2001. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the City's year-end (June 30, 2004) and is good for one year thereafter.

## INTERNAL CONTROL CONSIDERATIONS

During the audit, we noted the following regarding the internal control structure:

- The monthly bank reconciliations are not reviewed by anyone other than the preparer.
- The ability to add vendors into the system is not limited to a specific department (i.e. purchasing). A formal policy should be used for the approval of new vendors within the accounts payable system.

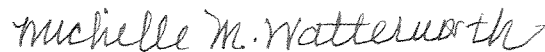
We would like to thank the City for the continued opportunity to serve as your auditors and for the assistance and cooperation that we received from the accounting staff, and the rest of the City personnel during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Joseph C. Heffernan



Michelle M. Watterworth

# **City of Rochester Hills, Michigan**

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## **Federal Awards Supplemental Information December 31, 2003**

# City of Rochester Hills, Michigan

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**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Rochester Hills, Michigan

We have audited the basic financial statements of the City of Rochester Hills, Michigan for the year ended December 31, 2003 and have issued our report thereon dated April 2, 2004. Those basic financial statements are the responsibility of the management of the City of Rochester Hills, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Rochester Hills, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

April 2, 2004

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Report Letter on Compliance with Laws and Regulations and  
Internal Control - Basic Financial Statements

To the Honorable Mayor and  
Members of the City Council  
City of Rochester Hills, Michigan

We have audited the financial statements of the City of Rochester Hills, Michigan as of and for the year ended December 31, 2003 and have issued our report thereon dated April 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Rochester Hills, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Rochester Hills, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted immaterial instances of noncompliance with internal controls over financial reporting which were disclosed to management in our letter dated April 2, 2004.

To the Honorable Mayor and  
Members of the City Council  
City of Rochester Hills, Michigan

This report is intended solely for the information and use of the City Council, Older Persons' Commission members, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

April 2, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Honorable Mayor and  
Members of the City Council  
City of Rochester Hills, Michigan

**Compliance**

We have audited the compliance of the City of Rochester Hills, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. The major federal program of the City of Rochester Hills, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Rochester Hills, Michigan's management. Our responsibility is to express an opinion on the City of Rochester Hills, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rochester Hills, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Rochester Hills, Michigan's compliance with those requirements.

In our opinion, the City of Rochester Hills, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

To the Honorable Mayor and  
Members of the City Council  
City of Rochester Hills, Michigan

### **Internal Control Over Compliance**

The management of the City of Rochester Hills, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rochester Hills, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, Older Persons' Commission members, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

April 2, 2004

# City of Rochester Hills, Michigan

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through the County of Oakland, Michigan - Community Development Block Grant - Entitlement Grant:				
Program year 2000-2001	14.218	#800261-60010	\$ 170,404	\$ 56,803
Program year 2001-2002		#800261-60010	174,110	53,713
Program year 2002-2003		#800261-60010	174,110	54,329
Program year 2003-2004		#800261-60010	2,202,132	<u>1,764,613</u>
Total U.S. Department of Housing and Urban Development				1,929,458
U.S. Department of Justice - Bureau of Justice Assistance - COPS Grant - Universal Hiring Award	16.710	2001SHWX0652	125,000	41,664
U.S. Department of Transportation - Federal Award (FAUS) - Passed through the Michigan Department of Transportation - Contract No. 93-1141	20.205	STP1993(001)HJ0900	682,000	103,269
U.S. Department of Labor - Federal Award Conservation Assessment Program - Passed through the Institute of Museum and Library Services	45.304	IA-00-03-0083-03	7,890	7,883
U.S. Department of Health and Human Services: Passed through the Area Agency on Aging to the Older Persons' Commission Special Programs for the Aging, Title III, Part C:				
2002-2003	93.045	03-9059-03	72,395	51,702
2003-2004	93.045	04-9059-03	74,200	16,922
Program income	93.045	-	-	<u>59,619</u>
Total Title III, Part C				128,243
Medicaid waiver - Home-delivered meals	93.778	-	16,242	<u>16,242</u>
Total U.S. Department of Health and Human Services				144,485
U.S. Department of Agriculture - Food and Nutrition Service - Passed through the Area Agency on Aging to the Older Persons' Commission Nutrition Program for the Elderly:				
2002-2003	10.570	03-9059-03	67,743	62,641
2003-2004	10.570	04-9059-03	85,916	<u>22,630</u>
Total U.S. Department of Agriculture				<u>85,271</u>
Total federal awards				<u><b>\$2,312,030</b></u>

## City of Rochester Hills, Michigan

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### Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

Revenue from federal sources - As reported on financial statements	\$ 407,022
Proceeds from sale of former Older Persons Commission building	2,027,500
Less federal revenue spent in 2002, received in 2003	(185,759)
Less proceeds from sale of former Older Persons Commission building spent in 2004	(318,237)
Amount recorded in other revenue categories	138,933
Amounts recorded in Older Persons Commission fund in other revenue categories	229,756
Other	<u>12,815</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,312,030</u></u>

# City of Rochester Hills, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2003

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Rochester Hills, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditure of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
U.S. Department of Housing and Urban Development - Passed through County of Oakland, Michigan - Community Development Block Grant - Entitlement Grant	14.218	\$	42,530

# City of Rochester Hills, Michigan

## Schedule of Findings and Questioned Costs Year Ended December 31, 2003

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Direct Program - Community Development Block Grant - Entitlement Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No



# **City of Rochester Hills, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2003**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None